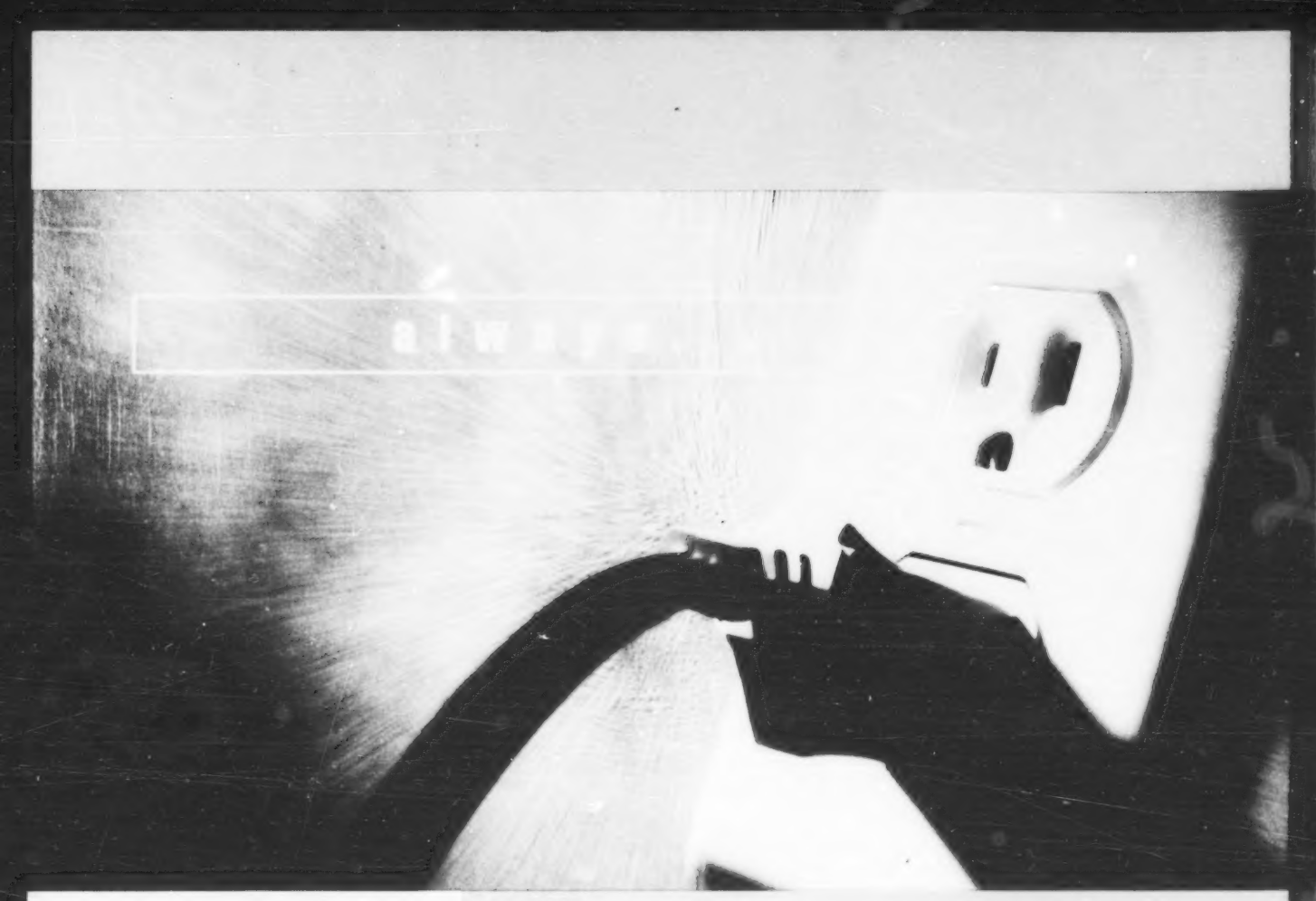
SaskPower

2000 Annual Report

always...



Contents

1 Corporate Profile
2 Operating Profile
3 Minister's Letter
4 Chair's Message
6 President's Message
8 Powering Our Province
9 Planning for the Future
12 Protecting Our Environment
15 Promoting Growth
18 Partnering With Communities
22 Management Discussion and Analysis
31 Report of Management
31 Auditors' Report
32 Consolidated Financial Statements
35 Notes to Consolidated Financial Statements
45 Five-Year Financial Summary
46 Corporate Governance
49 Glossary

From the family home attending school the pride built to neighbouring towns and cities, from offices and manufacturers to retailers large and small, and from schools and community centres to homes, we're working 365 days a year to provide safe, reliable, cost-effective electricity – always.

101-04144/

Our Vision – Excelling in competitive energy markets.

Our Mission – We provide value-added electrical energy and related services. We achieve this through employee innovation, a competitive spirit and pursuing opportunity for our customers and shareholders.

Our Values – We are committed to the principles of respect, integrity and openness in our relationships with our employees, customers and others. We value: a safe and healthy workplace • clear and open communication • the diversity of our workforce • continuous learning by our employees • innovative thinking and solutions • public safety, the environment and community relationships.

Corporate Profile

SaskPower is the principal supplier of electricity in Saskatchewan. Founded as the Saskatchewan Power Commission in 1929, our mandate is to deliver safe, reliable, cost-effective power to the residents of Saskatchewan. SaskPower was incorporated as a provincial Crown corporation in 1950 and is governed by the province's Power Corporation Act.

We operate three coal-fired stations, seven hydro stations and four natural gas stations, generating a net capacity of 2,889 MW, and we maintain more than 150,000 kilometres of power lines.

Our 2,200 employees work in three business units (Customer Services, Power Production, and Transmission and Distribution), five corporate groups (Corporate and Financial Services, Corporate Information and Technology, Corporate Planning and Regulatory Affairs, Human Resources and President's Office) and two subsidiaries (SaskPower International and SaskPower Shand Greenhouse).

Operating Profile

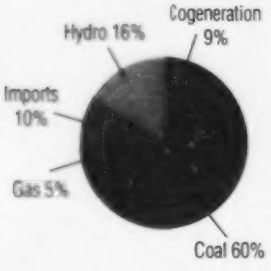
Customers
(Meters in service on December 31, 2000)

	Number of Customers	% of Total Customers	% of Total kW.h
Residential	300,250	69.6	14.6
Farm	67,821	15.7	8.2
Commercial/Industrial	62,354	14.5	69.1
Streetlights	930	0.2	0.3
Reseller & Export	5	–	7.8
Total	431,360	100.0	100.0

Transmission and Distribution		
230 kV	– circuit kilometres	3,684
138 kV	– circuit kilometres	4,372
115 kV	– circuit kilometres	400
110 kV	– circuit kilometres	190
72 kV	– circuit kilometres	4,386
72 kV	– underground kilometres	7
25 kV	– pole kilometres	22,799
25 kV	– underground kilometres	709
14.4 kV	– pole kilometres	72,437
14.4 kV	– underground kilometres	42,914

SaskPower's service area is 526,600 square kilometres

Generation by Fuel Type



Five-Year Operating Summary	2000	1999	1998	1997	1996
Sales (GW.h)	17,049	16,210	16,187	15,608	15,064
% growth over prior year	5.2	0.2	3.7	3.6	4.7
Average annual usage per residential customer (kW.h)	7,784	7,793	7,662	8,520	8,802
Average urban monthly residential bill – before taxes ($)	61	59	59	61	62
Seasonal gross system peak load (MW)	2,962	2,853	2,944	2,944	2,789
Total customers served at year-end	431,360	428,027	426,676	423,678	420,147
Power lines (pole km)	151,247	150,656	150,001	149,421	148,590

Generation Statistics

Source	2000 Rated Capacity (Net Megawatts) at December 31, 2000	2000 Net Energy (GW.h)
Coal	1,658	11,436
Gas	378	924
Hydro	853	3,046
Generated Energy	2,889	15,406
Purchased Energy	–	3,686
Total	2,889	19,092
Total Energy		19,092
Less Losses & Other		(2,043)
Total Energy Sold		17,049
Energy Sold		
To Customers		15,906
To Export Markets		1,143
Total Energy Sold		17,049

Annual Peak Load (net) 2,822 MW (2000-12-14 17:56)
Minimum Load (net) 1,379 MW (2000-08-06 07:00)
Summer Peak Load (net) 2,440 MW (2000-07-28 14:56)

Regina
March 2001

To Her Honour
The Honourable Lynda Haverstock
Lieutenant Governor of the
Province of Saskatchewan

Madam:
I have the honour to submit herewith the Annual Report of Saskatchewan Power Corporation for the year ended December 31, 2000. This report includes the financial statements for the year in the form approved by the Treasury Board, duly certified by the auditors of Saskatchewan Power Corporation, all in accordance with The Power Corporation Act.

I have the honour to be, Madam, your obedient servant,

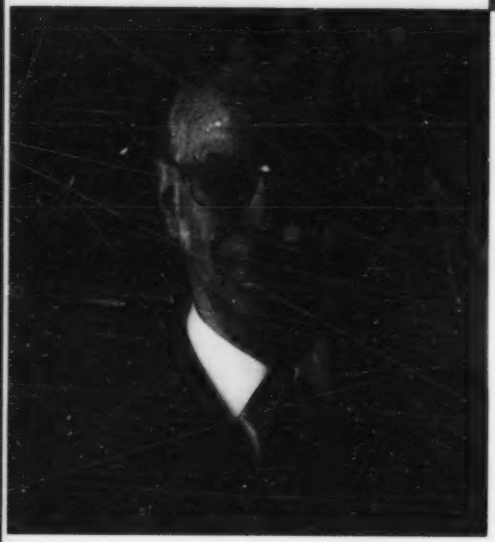
Maynard Sonntag

Maynard Sonntag
Minister Responsible
Crown Investments Corporation of Saskatchewan

Chair's Message

Ready for the future

J. Milton Fair *Chair, Board of Directors*



By any measure, 2000 was an extraordinary year for the utility industry. At the beginning of the year, electricity flowed uninterrupted across North America as utilities – including SaskPower – triumphed over the Y2K bug. Before year's end, security of supply had become an issue in some jurisdictions as they worked through the challenges posed by their efforts at deregulation.

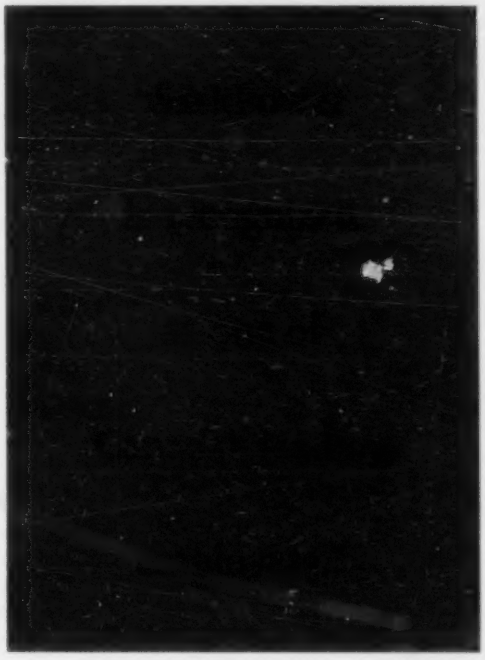
SaskPower is closely monitoring issues and developments across the industry. As the electricity sector shifts from one of the most stable in the North American economy to one of the most volatile, there is much to be learned – and much to be proud of here in Saskatchewan.

SaskPower employees work 365 days a year to provide safe, reliable, cost-effective electricity to the people of Saskatchewan. The corporation reviews supply options on an ongoing basis and continues to invest in its infrastructure to ensure that Saskatchewan has a stable, secure supply.

Two new generation projects announced in 2000 – the repowering of the Queen Elizabeth Power Station and the construction of the Cory Cogeneration Station – will help meet Saskatchewan's load growth demands in the years to come. SaskPower will also benefit from export sales of any surplus electricity.

These business choices demonstrate the strategic thinking and sound planning that will help to ensure SaskPower's success in a changing industry.

One of the issues that will undoubtedly fuel significant industry change in the 21st century is the environment. From the Kyoto Protocol to clean coal technologies, utilities will face challenges and opportunities as the world works against the clock to manage greenhouse gas emissions.

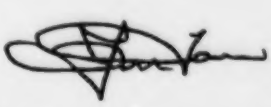


SaskPower continues to be proactive in addressing the environmental impacts of generating electricity. As part of its commitment to share the responsibility of a sustainable environment, SaskPower participates in a variety of initiatives, from growing thousands of seedlings at the Shand Greenhouse to partnering with organizations such as Ducks Unlimited Canada and Nature Saskatchewan.

Although SaskPower is a small utility by industry standards, it has a very large presence here in Saskatchewan. As the province's largest Crown corporation and one of its major employers, SaskPower invests more than $600 million annually in the provincial economy.

The SaskPower Board of Directors was encouraged to see that SaskPower is recognized as one of Canada's leading employers (Canada's Top 100 Employers – 2001 edition). In keeping with the corporation's commitment to continuous improvement, management and employees are teaming up on a variety of initiatives to make SaskPower an even better place to work.

On behalf of the Board, I extend my sincere appreciation to SaskPower's employees for their dedication and hard work. The Board is proud to support the mandate that has contributed to Saskatchewan's quality of life for more than 70 years.



J. Milton Fair
Chair, SaskPower Board of Directors

President's Message

The year in review

John Wright *President & CEO*

It's been a year of challenge and accomplishment at SaskPower.

In the pages that follow, you'll learn about the work we do to deliver reliability and service excellence, our plans for the future, our ongoing commitment to a sustainable environment, and the projects we're undertaking to grow our business and support Saskatchewan communities.

Among our accomplishments in 2000, we became the first electric utility in Canada to achieve ISO 14001 registration. This registration means that SaskPower's environmental management system meets internationally recognized standards set by the International Organization for Standardization (ISO).

We also developed an innovative plan to repower one of our facilities, the Queen Elizabeth Power Station in Saskatoon, furthering our commitment to deliver safe, reliable, cost-effective electricity to customers province-wide.

To grow and diversify our business, we investigate business opportunities here in Saskatchewan and beyond our borders. Our development arm, SaskPower International, is bringing our industry expertise to a global clientele.

Every initiative we undertake and every success we achieve is a team effort. Our people are SaskPower's most important resource and, in 2000, we began a comprehensive process to strengthen employee relations.

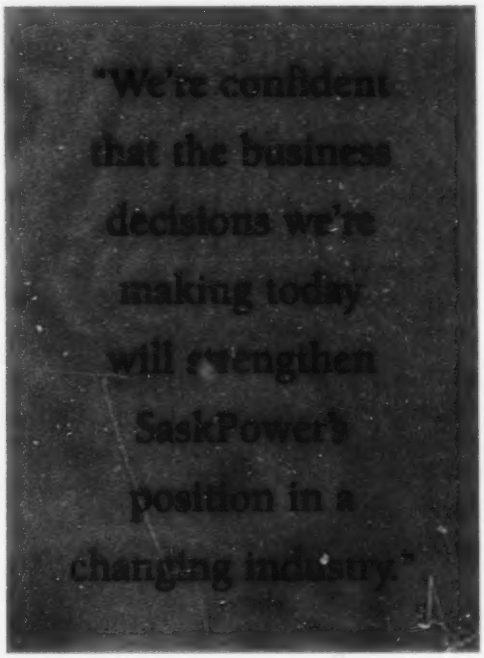
We developed and delivered an employee satisfaction survey and we're using the results to target improvements in a number of areas. Our priorities for action include facilitating more open, two-way communication and providing opportunities for staff to enhance their business knowledge and leadership skills.

We've taken some exciting steps forward to address these and other issues. Employees rated electronic media as a preferred method to communicate and we created a new tool, an employee intranet. Our Human Resources group launched a new leadership development program, another step in our ongoing

effort to build a knowledge company for the 21st century. To further our work in developing a family-friendly workplace, we presented information sessions across the province and employees participated in a national survey on balancing work and family.

As part of our collective journey toward better employee relations, I met with more than 1,500 employees in workplaces across the province. Our discussions were far-reaching, from SaskPower's business direction and corporate issues to employee needs and concerns.

It was a valuable process and I remain committed to open, respectful communication as we continue our work in this area. To track our progress, we've incorporated an employee satisfaction measure into SaskPower's balanced scorecard, the business tool we use to measure our performance across a range of financial and non-financial indicators.


"We're confident that the business decisions we're making today will strengthen SaskPower's position in a changing industry."

We also continue to address issues and strengthen the relationship with our business partners – the Communications, Energy and Paperworkers (CEP) Local 649 and the International Brotherhood of Electrical Workers (IBEW) Local 2067 unions. We completed negotiations on a new collective agreement with the IBEW that was ratified by the membership in early 2001.

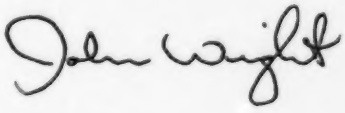
Working together, employees served a record number of customers – over 431,000 – in 2000 and continued to advance our business objectives. Our revenues topped the $1 billion mark for the first time in our history, the result of strong export sales of surplus electricity. Revenues from Saskatchewan customers remained relatively stable as our five-year rate freeze continued.

Although our rates have remained the same, our cost of doing business has increased substantially over the last five years. Our fuel and purchased power costs increased from $172 million in 1996 to $384 million in 2000 – an increase of $212 million or 123 per cent. We also added more than 3,000 new customers to the grid, putting additional demands on our resources.

In December 2000, we applied to the Saskatchewan Rate Review Panel for a rate adjustment.

As we build upon SaskPower's proud tradition of service, we're confident that the business decisions we're making today will strengthen SaskPower's position in a changing industry. We're developing new products and services to diversify our revenues, working with business and community partners on environmental issues, and managing our financial and human resources to ensure that SaskPower stays strong.

My thanks to our employees and the Board of Directors for the energy and commitment they bring to SaskPower. It's a privilege to work with these dedicated professionals in service to the people of Saskatchewan.



John Wright
President and Chief Executive Officer

Powering Our Province

Building reliability and service excellence

Every day across the province, SaskPower employees work to keep the lights on for the people of Saskatchewan. From the family farms stretching across the grain belt to neighbouring towns and cities, from oilfields and manufacturers to retailers large and small, and from schools and community centres to homes, we're committed to providing safe, reliable, cost-effective electricity to our 431,000-plus customers.

It's a big job – we harness the energy of coal, hydro and natural gas at our 14 power stations and deliver electricity province-wide on 150,000 kilometres of power lines. SaskPower has the most extensive network of power lines in Western Canada to serve Saskatchewan's large area and widely dispersed population. We serve about three customers per circuit kilometre, when most utilities average about 12 customers over the same distance.

How do we make it happen? A group of 2,200 highly skilled, high-energy employees. A tradition of teamwork, 70 years in the making. A commitment to excellence. And, always, a clear focus on SaskPower's #1 priority – safety.

It all begins at our power stations, a network of units scheduled with split-second precision to keep electricity flowing continuously at the lowest possible cost. Our Power Production team works 24 hours a day to maximize production and safeguard our investment in these powerful assets.

Efficient resource planning is key to high performance. We put a new team of planners in place across the system this year to facilitate plant maintenance. Using SaskPower's integrated software system, SAP (Systems, Applications, Products in Data Processing), the planners work closely with production coordinators and plant staff to ensure that people and equipment are in place at the right time.

With effective teamwork and planning, shutdown time is minimized and the time between major overhauls can be extended. This year, the 300-MW unit at Shand Power Station received its first major overhaul and was successfully returned to service, thanks to the efforts of Shand staff, equipment specialists, contractors and our heavy maintenance crew.

We take pride in maintaining a high level of reliability and we continue to upgrade our facilities, service Saskatchewan's growing economy and deal with the wild card played to every electric utility – the weather. The reliability of our network was tested several times in 2000, most significantly during the massive storm that gripped southeastern Saskatchewan in early November. The Glenavon area received the second largest single-day snowfall in Saskatchewan history – 66 cm – and our Transmission and Distribution group responded immediately to restore service to customers in a safe and timely manner.

With 200 staff and contractors working around the clock, we restored service to 75 per cent of affected customers within 24 hours and the balance within 72 hours. It was a memorable accomplishment for everyone involved, and one that was all the more remarkable given that crews had to deal with damage spread across a large area, including more than 100 broken poles.

It's the kind of service excellence that reflects the commitment of our staff throughout the organization. Our customers are the reason we're in business and we keep that focus as we work to achieve our business objectives.

A major customer-focused initiative this year was the Customer Relations Management (CRM) project. We redesigned a number of business processes that involve customer contact, including outage calls, inquiries, service requests and tenancy changes. Among our improvements, we streamlined the call-handling process to meet customer needs more effectively.

To support our new processes, we're using technology tools such as interactive voice response (IVR). IVR enables us to handle a larger volume of calls and provide recorded messages as needed to update customers on the status of an outage and the estimated repair time. We improved the interface between software systems to streamline data input and eliminate duplication. We also developed a knowledge database that provides our staff with quick, easy access to information. And because CRM's new processes and tools require new skills, we're providing the necessary training so employees can excel at their jobs.

Our sales team has a new structure. Account managers are now assigned to each major industrial sector. This structure will help us gain a better understanding of the business challenges facing each sector and identify ways that we can add value to our customers' business.

As we work to deliver reliability and service excellence, safety will continue to be priority #1 through every area of SaskPower, from Power Production and Transmission and Distribution to Customer Services and Human Resources.

We're making progress in reaching our goal – to be an industry leader in safety performance. On May 15, 2000, the employees at Shand Power Station marked another safety milestone by operating for three years without a single lost-time injury. At the beginning of the year, we launched our new safety slogan – let's make it safe – across the corporation. We see it everywhere we work, on posters, decals and T-shirts, and it's a daily reminder that we collectively share the responsibility for our personal safety and the safety of our co-workers.

Safety priorities were identified throughout the corporation following a safety audit in 1998. At our safety conference this spring, we reviewed current action plans and continued our push to educate employees about safety issues. We plan to launch our revised safety awards program in 2001 to recognize employees for their personal safety records, from safe driving to working safely in our field and office locations.

Planning for the Future

Time doesn't stand still and neither can SaskPower. We have a proud tradition of serving Saskatchewan that dates back more than 70 years and we manage our business with an eye to future challenges and opportunities.

Planning is essential to our business success and our role as a Crown corporation. SaskPower is a driving force in Saskatchewan's quality of life, employing 2,200 people, managing $3.3 billion in Crown assets, supporting economic development through our purchases from Saskatchewan suppliers and contributing more than $600 million annually to the provincial economy.

We're committed to sound, strategic management of our financial and human resources. As part of that commitment, we work to improve our business planning, financial management and risk management processes and we track our progress with SaskPower's balanced scorecard. The scorecard is a business tool that uses four types of measures – financial, market, operating/process

always there

In early November, the kind of storm our grandparents talk about hit southeastern Saskatchewan. Journeyed powerline technician Dave Pinkerton was one of our team of 200 staff and contractors who successfully restored service to 75 per cent of affected customers within 24 hours. The balance had power within 72 hours.

Dave Pinkerton
Transmission and Distribution
Weyburn

Making sure you wake up to a cup of hot coffee every morning is a serious commitment when you're talking about every coffee pot in the 431,000-plus homes, businesses and restaurants we serve on our 150,000-kilometre network of power lines. It takes a group of 2,200 highly skilled, high-energy employees, a tradition of teamwork, a commitment to excellence and a clear focus on SaskPower's #1 priority – safety.

and people – to provide a balanced picture of SaskPower's performance. The scorecard will continue to evolve over time as we identify and develop new performance measures.

Another important facet of planning at SaskPower is generation and transmission capacity. It takes time to develop new capacity and our challenge is to identify when the services will be needed and to bring them on-line safely, reliably and cost-effectively.

On the supply side, we announced two major projects this year that will add needed capacity in Saskatchewan, beginning in 2002, while providing growth opportunities for our business.

Our development arm, SaskPower International, has partnered with ATCO Power Canada Ltd. of Alberta to develop a 228-MW cogeneration and combined-cycle facility at the Potash Corporation of Saskatchewan Inc. (PCS) Cory Mine site near Saskatoon.

Cogeneration is becoming part of the generation mix for many utilities because of its environmental and economic advantages. A cogeneration facility uses a single fuel source, often natural gas, to simultaneously produce electricity and steam. Efficient fuel usage translates into significantly lower greenhouse gas emissions than equivalent generation from a coal-fired station. From an economic perspective, the capital costs for cogeneration facilities are considerably less than coal-fired or hydro stations.

The Cory Cogeneration Station represents SaskPower's style of doing business – collaborative, strategic and innovative. This supply addition will help SaskPower meet the energy needs of Saskatchewan's growing economy and provide opportunities for export sales. Partnering in a strategic alliance with ATCO Power Canada Ltd. also gives SaskPower International the chance to work with an industry leader.

In a second supply initiative, we're using combined-cycle technology to upgrade a SaskPower facility that has reliably generated power for more than 40 years – Queen Elizabeth Power Station in Saskatoon.

By installing six 25-MW gas turbines and capturing waste heat from exhaust gases to produce additional electricity, the station's efficiency will increase by 50 per cent. This $140-million upgrade will help meet Saskatchewan's future demand for electricity, provide backup to our coal-fired stations and enable us to pursue export opportunities.

We continue to invest in our transmission and distribution facilities as part of our ongoing efforts to meet load growth forecasts and ensure that our reliability standards are not compromised. In 2000, we focused on substation rebuilds in Cantuar, Shaunavon and Nipawin and capacity increases for Confederation Park, Hudson Bay-Greenbush and Hearts Hill.

Our major transmission line project this year was the first phase of the PA8 reinforcement between Prince Albert and the Timber Cove substation. Strong load growth in the area means that demand is exceeding the capacity of the existing line, and the rebuild will improve service to communities served by the line.

The routing of transmission lines is a challenge for utilities worldwide because of conflicting public desires for land use. We took a step forward in 2000 to address this issue by convening a panel of independent experts to assess our current procedures, evaluate industry practices and receive input from

Safety is SaskPower's #1 priority. It has to be – electricity is a wonderful product, but if it's handled improperly, it will injure and kill. To reaffirm our corporate commitment to safe working practices, we launched our employee safety awareness initiative in January 2000. Our new priority #1 vision statement – let's make it safe – applies to every one of us, whether we're on shift at a power station, repairing a downed line or serving customers in our district offices.

This vision statement is displayed prominently in our workplaces, including the Island Falls Hydro Station. Station staff, including hydro station operator Harry Morin (centre) and production supervisor Paul Shier (right), celebrated the launch of safety priority #1 with Rick Patrick (left), vice-president and general manager, Power Production.

interested Saskatchewan residents and organizations. The panel's recommendations, due in 2001, will help us plan future transmission line projects.

Our people are front and centre when it comes to planning for the future. SaskPower's business success will depend on our ability to attract and retain key talent and to develop the skills that we'll need to meet the challenges and opportunities ahead.

Leadership strength and continuity are vital to SaskPower's ongoing success in the marketplace and our leadership succession planning initiative will help provide the bench strength we'll need to lead our organization into a competitive future. A second group of participants joined the program this year, which was developed with support from the University of Regina. This intensive development program includes readings and assignments, business simulations, case studies and seminars in business strategy. We also piloted a leadership development program in 2000. We plan for all management employees to complete the program over the next two years and we'll make it available to all staff over the long term.

We offer a multitude of training and development resources in keeping with our commitment to promote continuous learning corporate-wide. Our Training and Development Centre in Weyburn provides state-of-the-art education in the line trades. This year, they also taught a basic electricity course to a number of employees to help enhance their technical knowledge and ability to serve customers.

We're committed to building a knowledge company for the 21st century and the programs we're putting in place will give SaskPower and our employees a competitive advantage as we plan for the future.

Protecting Our Environment

Caring for the earth is a responsibility we all share and SaskPower is committed to operating in a manner that helps protect the environment today and for future generations.

We achieved an exciting environmental milestone in 2000 when we became the first electric utility in Canada and the first major business headquartered in Saskatchewan to achieve corporate-wide ISO 14001 registration.

This leading environmental management system will enable us to better assess and manage the environmental aspects of our business.

We entered into an innovative partnership with the Government of Canada to develop a green power project in Saskatchewan. SaskPower expects to provide at least 25,000 MW.h of wind energy to federal buildings in the province by 2002, with any excess energy offered to other customers. This initiative will create opportunities for independent power producers and support our ongoing efforts to address climate change.

We've been involved with the federal government's Voluntary Challenge and Registry (VCR) Inc. program since its inception in 1995 to help minimize the impact of our operations on the environment. We participate in a range of voluntary initiatives, both internally and with our business and community partners, to reduce greenhouse gas emissions.

To stay at the forefront of research and development into climate change, we support projects such as the International Test Centre for Carbon Dioxide Capture at the University of Regina. We continue to improve the efficiency of our generation, distribution and transmission systems, and we invest in offset projects that reduce emissions outside of our normal operations. Our largest project is a pilot that will see us purchase sequestered carbon from Saskatchewan Environment and Resource Management (SERM) to offset greenhouse gas emissions from our thermal power stations. The project will enhance Saskatchewan's northern forests by reforesting land that has been logged and creating Forest Carbon Reserves to protect established forests.

SaskPower is also working with a consortium of utilities that rely heavily on coal for power generation, and other interested parties, to examine the feasibility of new coal combustion technologies. These technologies may help reduce Canada's emissions of greenhouse gases from power generation, enabling utilities to continue using this reliable, low-cost fuel in the future.

always aware...

Customers in Shellbrook went to Customer Services representative Lorraine Adamson for their millennium trees. Our Millennium Birch Project grew 8,000 paper (white) birch seedlings, Saskatchewan's official tree, for distribution to SaskPower customers throughout the province in 2000. Our Shand Greenhouse, in partnership with TREEmendous, is helping preserve the environment for future generations.

Lorraine Adamson

Saskatchewan will soon be home to a green power project. In partnership with the Government of Canada, SaskPower expects to provide at least 25,000 MW.h of wind energy to the province's federal buildings by 2002. Any excess energy will be offered to our other customers. This initiative will create opportunities for independent power producers and support our ongoing efforts to address climate change.

New technologies are helping SaskPower staff assess the environmental aspects for hundreds of projects every year. We ensure that employees are trained in environmental tools and techniques as needed and we screen every development, from small distribution lines to major generating facilities, to minimize our environmental footprint.

This year, we established a Memorandum of Understanding (MOU) with Nature Saskatchewan that will help both of us make progress regarding our common goals of conserving our environment and educating the public. We marked our partnership by launching a series of environmental workshops for young people.

Our MOU with SERM provides us with clear direction on environmental issues, notably water issues related to the Saskatchewan River and the

continuing precipitator installations at Boundary Dam Power Station. The retrofits will be complete by 2003, removing up to 99 per cent of particulate emissions from the stacks.

We continued our Diamond Legacy sponsorship with Ducks Unlimited Canada to support wildlife habitat projects in Saskatchewan. Projects that we funded in 2000 included expansion of a wetlands educational program and development of a flushing bar that dramatically reduces injuries and death to wildlife during haying operations.

In partnership with other Canadian utilities, SaskPower participates in the Environmental Commitment and Responsibility (ECR) program. The ECR program ensures that all Canadian utilities move toward the highest standards possible in terms of minimizing their impact on the environment.

We support the national Action by Canadians (ABC) program, which educates people about their role in building climate change solutions. Our employees and the public were invited to attend ABC workshops to learn how to reduce greenhouse gas emissions at home, in their vehicles and in their communities.

Some of our strongest community initiatives continue to take root at Shand Greenhouse, which grows hundreds of thousands of seedlings annually using waste heat from the nearby Shand Power Station.

This is an important project for SaskPower because trees sequester increasing amounts of carbon as they age, providing a way to offset greenhouse gas emissions. With the help of TREEmendous Saskatchewan and other planting partners, Shand Greenhouse distributed almost 360,000 tree seedlings to organizations and individuals across the province in 2000. Our cumulative total since 1991, our first year of operation, is close to 2.4 million seedlings. In support of our commitment to biodiversity, we also produce native wildflowers and grasses for organizations such as the Saskatchewan Wetlands Conservation Corporation and Canadian Wildlife Service.

Shand Greenhouse and TREEmendous are celebrating the millennium with two planting projects that will help preserve the environment for future generations. For the Millennium Birch Project, Shand Greenhouse grew 8,000 paper (white) birch seedlings, Saskatchewan's official tree, for distribution as our millennium tree. The seedlings were offered to SaskPower customers

This logo is very important to all of us at SaskPower. It's our ISO 14001 logo, and we're very proud to be the first electric utility in Canada, and the first major business headquartered in Saskatchewan, to achieve corporate-wide ISO 14001 registration. It means that our environmental management system meets the rigorous standards set by the International Organization for Standardization (ISO).

We're in good company – industries and governments in more than 90 countries support ISO standards. ISO 14001 requires organizations to foster environmental protection, comply with legal and other requirements and work to continually improve their environmental management systems.

We achieved this important milestone in 2000 thanks to the dedication and hard work of our employees. Achieving ISO 14001 registration is part of our ongoing commitment to share in the responsibility for a sustainable environment.

at customer service locations throughout the province. A second initiative, the Millennium Grove Project, will see a number of Saskatchewan communities planting 2,000 tree and shrub seedlings over the next five years to establish a millennium grove by 2005, Saskatchewan's centennial year.

Educating the next generation on protecting our environment is an important outreach activity of Shand Greenhouse staff. In our lively Seedling is Believing presentations, students gain a better understanding of electricity as we discuss the environmental impacts of power generation and the actions they can take to reduce those impacts, including that perennial favorite of ours – tree planting.

Promoting Growth

The utility sector is one of the most exciting in the marketplace because electricity is a product that promotes growth and innovation for customers and utilities alike. We welcome that entrepreneurial spirit at SaskPower – our employees are pursuing strategic business opportunities, optimizing the use of information technology and growing our business through new energy revenue sources, products and services.

We announced this year that we would open our transmission system to wholesale energy suppliers and users on July 1, 2001, through an Open Access Transmission Tariff, or OATT. This type of tariff has become the standard for doing business and it was essential for SaskPower to keep pace with this standard or risk losing the ability to buy and sell electricity in other jurisdictions.

The OATT will signal some changes in Saskatchewan's electricity marketplace while providing SaskPower with more options in North American markets. Under the terms and conditions of the OATT, power marketers and suppliers will be allowed to transport electricity across our transmission system as well as to SaskPower's two wholesale customers, the municipal utilities in Saskatoon and Swift Current. To ensure that there is no overbooking of the system, SaskPower will use computer analysis of our load demand and generation availability to determine the amount of transmission capacity available for OATT transactions.

The OATT will give us access to sales opportunities that we wouldn't have otherwise. SaskPower's energy marketers are already generating some early successes in the North American wholesale marketplace. Our goal is to optimize SaskPower's resources as we buy and sell electricity within the corporation's carefully structured risk management framework.

This balanced approach to business – seeking sound opportunities while effectively managing the risk profile – is also reflected in the activities

Planning for the future is important in our business. Construction engineer Tony Finn is the site manager in charge of repowering the Queen Elizabeth Power Station in Saskatoon, a SaskPower facility that has reliably generated power for over 40 years. This $140-million upgrade will help meet Saskatchewan's load growth demands in years to come.

Tony Finn
Power Production
Queen Elizabeth Power Station

Delivering safe, reliable, cost-effective electricity across diverse terrain in all kinds of weather has given SaskPower a broad range of technical and training expertise. SaskPower International is spreading that knowledge to communities as close as British Columbia and as far away as Tanzania, Dominica, Kazakhstan and Russia. We continue to focus on building these international strategic partnerships.

of our development arm, SaskPower International. The market for innovation doesn't stop at the Saskatchewan border and we developed SaskPower International as a vehicle to grow and diversify SaskPower's revenues and asset base.

SaskPower International is taking our technical and training expertise to the world. We've developed an active consulting business with a number of national and international clients. Among our contracts this year, we provided engineering services in British Columbia, financial management expertise in Tanzania and Dominica, and technical assistance to utilities in Kazakhstan and Russia. We continue to focus on building strategic partnerships that enable us to reduce our business development costs, extend our marketing reach and provide a larger resource pool from which to draw personnel.

Our primary focus is on the successful completion of the Cory Cogeneration Station near Saskatoon with our co-venture partner, ATCO Power Canada Ltd. We plan to leverage our partnership with ATCO to pursue other power project investment opportunities in North America.

SaskPower International also markets the flyash produced by our Boundary Dam and Shand Power Stations. A fine powder, flyash is a by-product of burned coal that can be extracted from a power station's exhaust gases. As a cement extender, flyash is used to make concrete blocks and pipes and ready-mix concrete. It can also be used as a fill material in the mining and oil industries. SaskPower International is in the second year of piloting the use of Shand flyash in secondary road reconstruction. The results to date have been positive and there is potential to sell additional Shand flyash to this market.

The information highway is picking up speed as we enter the 21st century. To stay on track, we need to optimize SaskPower's investment in information technology. In 2000, we focused primarily on improvements to our data network and the introduction of additional security components. We've also scheduled an upgrade of our SAP software in 2001 as part of our commitment to use SAP to improve our productivity, customer service and the efficiency of our business processes.

Our technology improvements provide employees with the tools they need to work more efficiently and effectively. The upgrades also position SaskPower to explore the capabilities of the Internet to enhance our customer service.

Our employees are investigating the potential of SaskPower's new electronic communications tool, the intranet. From quarterly financial reports that provide a high-level overview of the corporation's performance to the latest Human Resources information, the intranet is helping to improve information-sharing on the job. Over the long term, it will become a web portal that allows employees to receive a number of services from SaskPower.

We also launched our new Geographic Information System (GIS) this year, a software tool that will, over time, automate the management of all SaskPower maps. With our transmission and distribution facilities overlaid on a series of land maps, the GIS provides data related to SaskPower facilities at any geographic point in the province. The knowledge of our facilities available to us through GIS supports the safety of employees and the public and is a strategic advantage to us as we plan our work and manage our assets.

One of our biggest assets is the value we can add to our customers' business. We've developed a group of products and services, SaskPower Energy Solutions, to help customers reduce their energy consumption and costs. We currently offer two main products – energy performance contracting (EPC) and transformer maintenance – targeted to our large commercial, industrial and institutional customers.

We entered into an alliance with Honeywell Ltd. to offer EPC, and signed a five-phase contract with Saskatchewan Property Management Corporation (SPMC) this spring that includes assessing and retrofitting about 70 government buildings over a three-year period. The project will reduce greenhouse gas emissions and SPMC's electricity costs, while helping SaskPower grow our business.

Partnering With Communities

For more than 70 years, SaskPower has been working with Saskatchewan communities. Our core business is delivering safe, reliable, cost-effective service to people province-wide, but we don't stop there. We promote economic development through our projects and purchases. We support education and the arts, sports, charities and more through our corporate contributions program. We encourage new voices and perspectives in our workplace through our diversity initiatives with community and First Nations groups. And we continue to actively promote safety around electricity, from inspecting thousands of gas and electrical installations annually to speaking out about chimney safety and hosting safety demonstrations.

Electricity is an invisible commodity to many of our customers. It's easy to understand why – they flick the switch and the lights come on. Improperly used, however, electricity can injure and kill. This year, thousands of our customers saw the white-hot flash of an electrical arc during SaskPower farm safety demonstrations in Regina and Lloydminster. Under controlled conditions, a powerline technician moved a robot and a grain auger into contact with a power line. The jagged spark and loud cracks booming through the air were powerful reminders that people must operate their equipment a safe distance from overhead power lines. We also educated the public on how to exit safely if a car contacts a power line.

Another way we're spreading the farm safety message is through our partnership with the Saskatchewan Safety Council. The Power PAC farm safety team features rural teens who deliver safety presentations to youth audiences in area schools, at 4-H club meetings and other community events.

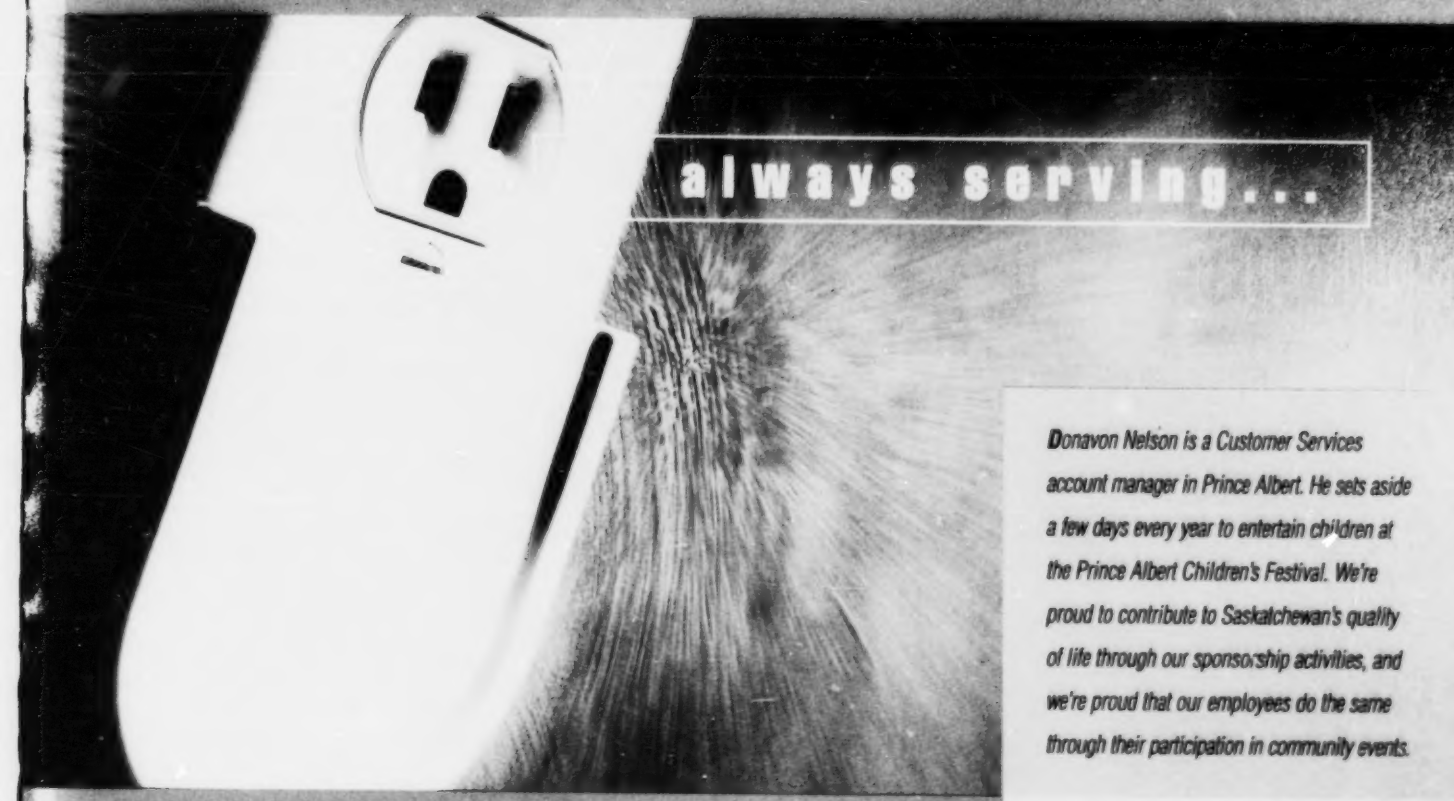
We're also working in Saskatchewan communities to enhance the diversity of our workforce. We know that one of the best ways to understand our customer base is to have a workforce that accurately reflects the diversity of the customers we serve.

We've developed a variety of partnerships to encourage diversity and ensure that we have a skilled and diverse workforce in the future. Our involvement in the Women in Trades and Technology (WITT) network enables young women to explore non-traditional roles at SaskPower. We also worked with the Lac La Ronge band in 2000 in support of students attending the Stanley Mission High School trades and technologies program.

Our pre-employment training program gives First Nations youth the opportunity to see what a career in the powerline trade at SaskPower is all about. Participants receive classroom instruction and on-the-job training with a Transmission and Distribution crew.

Our diversity initiatives in 2000 included funding a self-help guide to independent living with Saskatchewan Voice of People with Disabilities Inc.

Every year, we invest more than $1 million in Saskatchewan communities through our corporate contributions program. Although we're unable to participate in every opportunity that we're offered, we do sponsor hundreds of events and programs annually. Our sponsorships in 2000 included the Regina Adult Learning Centre, community outreach with the MacKenzie Art Gallery and our longstanding involvement with the Junior Citizen of the Year Awards, an initiative with the Saskatchewan



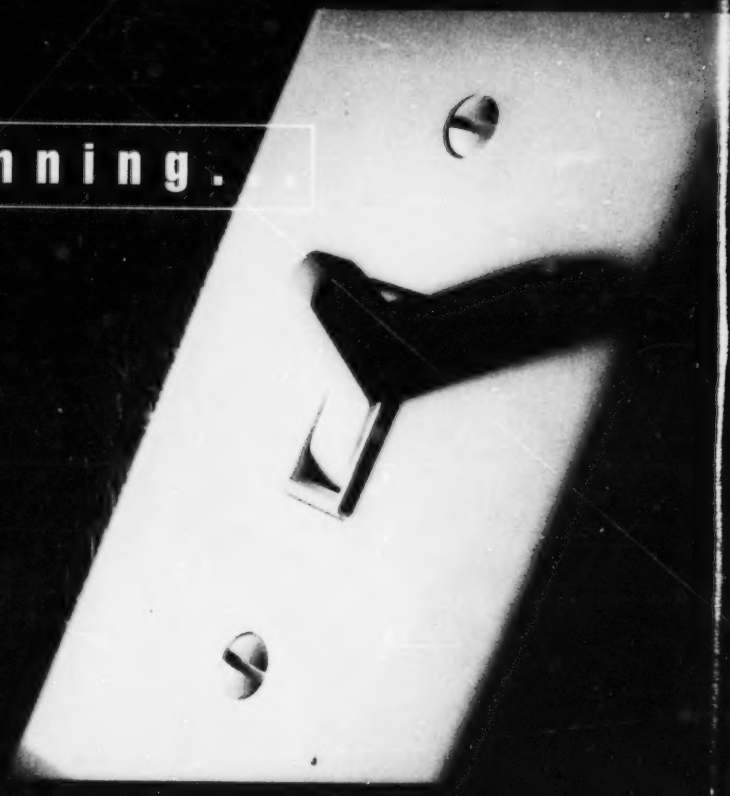
always serving...

We've worked side-by-side with Saskatchewan communities for more than 70 years. In the early years, we met the challenge of rural electrification. Today, Saskatchewan people benefit not only from our core business – delivering safe, reliable, cost-effective electricity – but also from our economic activity, safety programs, corporate contributions and diversity initiatives.

Donavon Nelson is a Customer Services account manager in Prince Albert. He sets aside a few days every year to entertain children at the Prince Albert Children's Festival. We're proud to contribute to Saskatchewan's quality of life through our sponsorship activities, and we're proud that our employees do the same through their participation in community events.

Donavon Nelson
Customer Services
Prince Albert

always planning.



Apprentice powerline technician Greg Witkowski was a member of our induction powerline training crew in 2000. Employees receive state-of-the-art education in the line tradies at our Training and Development Centre in Weyburn. We use a combination of classroom instruction and on-site training to ensure that every powerline employee has the skills and knowledge to work safely.

Our apprenticeship program in the mechanical, instrumentation, electrical, operating and line trades will help ensure that SaskPower has adequately skilled personnel to provide safe, reliable power to our customers in the years to come.

Weekly Newspapers Association that recognizes the accomplishments of our province's young people.

We also continued as title sponsor of the SaskPower Festival of Lights in Regina, working in partnership with community groups and businesses in southern Saskatchewan to create a memorable tourist attraction and raise funds for local non-profit organizations.

We're proud to contribute to Saskatchewan's quality of life and, in total, we invest more than $600 million annually in the provincial economy. In 2000, we paid almost $12 million to local governments in lieu of taxes and collected over $30 million in municipal surcharges that were redistributed to 429 local governments. We also paid $33 million in coal and gas royalties, water rentals and corporate capital tax.

We average over 80 per cent of our purchases in Saskatchewan. It's a win-win for all concerned – we benefit from our ability to buy products and services locally, and the province benefits through economic development and diversification. In 2000, our transactions with Saskatchewan businesses exceeded $285 million.

We acknowledge several local suppliers each year for their contributions to our business success. In 2000, we presented our Power of Business Award to Trans Canada Machining 1997 Ltd. in Herbert, Melfort's GP Fiberglass Ltd., JNE Welding Ltd. in Saskatoon and Martensville Bldg. & Home Supply Ltd. We also signed a new seven-year agreement with a past Power of Business award recipient – Nexans Canada Inc., formerly Alcatel Canada Wire. One of North America's largest manufacturers of cable and wire, the Weyburn manufacturer has supplied us with thousands of kilometres of cable over the years. Our new contract will help Nexans realize a $20 million plant expansion and add 60 new jobs.

We paid tribute to the entrepreneurial spirit of our employees at two historic events within the SaskPower community this year. At the 40th anniversary of Boundary Dam Power Station, we celebrated the work of generations of hardworking employees. Boundary Dam was the first central thermal plant built by SaskPower to meet the demand for power following rural electrification and it currently supplies 20 per cent of Saskatchewan's load requirements. In 1999, it became one of the first coal-fired stations in Canada to achieve the ISO 14001 standard.

We also celebrated the team of SaskPower superannuates who met the challenges of rural electrification and expansion in the 1950s and 1960s, one pole after another. Swift Current hosted the Millennium Cutover reunion in September, and a wonderful time was had by all. In addition to great memories and the occasional "tall" tale, one of the legacies of the gathering is a commemorative book that reminisces about the work done by these energetic employees to help build Saskatchewan's electrical system – from our community to yours.

E Welding Ltd. was one of the innovative suppliers that received a 2000 Power of iness Award for delivering exceptional products and service at competitive prices askPower. Since 1987, the custom steel fabricator has supplied SaskPower with r 2,500 steel power pole structures. They've also custom-fabricated a diverse range ther products, including steel transformer structures, pressure vessels and flood pass components for hydro stations. Owner and president Jim Nowakowski and e than 70 full-time employees operate at world-class standards to offer SaskPower best product at the best price, right here in Saskatchewan. JNE Welding Ltd. is example of a local firm that plays an important role in SaskPower's success and Saskatchewan economy. SaskPower buys, on average, more than 80 per cent s purchases locally. Over the last 15 years, the corporation has purchased over billion in goods and services from Saskatchewan suppliers.

Management Discussion and Analysis

Year 2000 highlights and financial results

Management Discussion and Analysis highlights the primary factors that have an impact on the financial results and operations of the corporation. It should be read in conjunction with the financial statements and the accompanying notes.

Saskatchewan Power Corporation (SaskPower; the Corporation) is a provincially owned Crown corporation and the principal supplier of electricity in Saskatchewan. SaskPower is a subsidiary of the Crown Investments Corporation of Saskatchewan (CIC), the holding company for Saskatchewan's commercial Crown corporations. Through its province-wide system, the Corporation generates, purchases, transmits, distributes and sells electricity and related products and services.

SaskPower has two wholly owned subsidiaries, Power Greenhouses Inc. (Shand Greenhouse), and SaskPower International Inc. Shand Greenhouse supports the environmental objectives of SaskPower through the implementation of programs designed to increase public awareness of the relationship between electrical generation and the environment. SaskPower International contributes to the long-term success of SaskPower by diversifying its revenue base and achieving a return on investment capital by marketing SaskPower's expertise, selling flyash and investing in power projects.

The financial activities of these two subsidiaries are included (consolidated) in SaskPower's financial statements.

Highlights

The following table provides an overview of SaskPower's financial results for the year ended December 31, 2000 compared to the previous year.

NET INCOME AND DEBT (in millions)	**2000**	1999	Change
Revenue	**$1,101**	$ 977	$124
Expense	**837**	708	129
Finance Charges	**138**	155	(17)
Net Income	**$ 126**	$ 114	$ 12
Gross Debt	**$1,648**	$1,673	$ (25)
Net Debt	**$1,571**	$1,536	$ 35

SaskPower's consolidated net income was $126 million in 2000, an increase of $12 million over the prior year. Of this $126 million, $69 million will be paid to the Corporation's shareholder, CIC, as a dividend. The remainder will be invested back into SaskPower's infrastructure in order to continue to provide its customers with safe, reliable, cost-effective power.

Overall, SaskPower's debt position remained relatively unchanged during 2000. Gross debt as at December 31, 2000, was $1,648 million, as compared to $1,673 million in 1999. Net debt, which is calculated by subtracting money set aside for debt retirement (sinking funds) from gross debt, was $1,571 million at the end of 2000, compared to $1,536 million at the end of 1999. Finance charges fell $17 million in 2000, reflecting lower interest payments on debt.

In 2000, SaskPower collected $30 million in municipal surcharges on behalf of municipalities (1999 – $29 million) and remitted this amount to 429 Saskatchewan communities. In addition, the Corporation also paid various royalties, taxes and other charges as indicated below.

ROYALTIES, TAXES AND WATER RENTALS (in millions)

Payment	Recipient	2000	1999	Change
Corporate Capital Tax	Government of Saskatchewan	$12	$12	$ –
Coal Royalties	Government of Saskatchewan	13	13	–
Provincial Sales Tax	Government of Saskatchewan	10	6	4
Water Rentals	Saskatchewan Water Corporation	8	9	(1)
Grants in Lieu of Taxes	Various Saskatchewan Municipalities	12	12	–
Total		$55	$52	$ 3

SaskPower also supported economic development through purchases from local suppliers and contributed more than $600 million to the provincial economy in 2000 (1999 – $500 million).

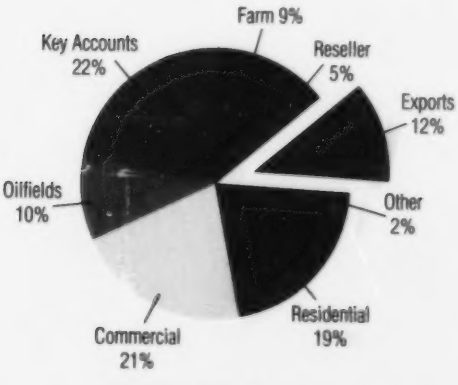
Financial Results

During 2000, record export sales pushed total revenues above $1 billion for the first time in the history of the Corporation, while fuel and purchased power costs increased by more than 50% to record high levels.

Revenue

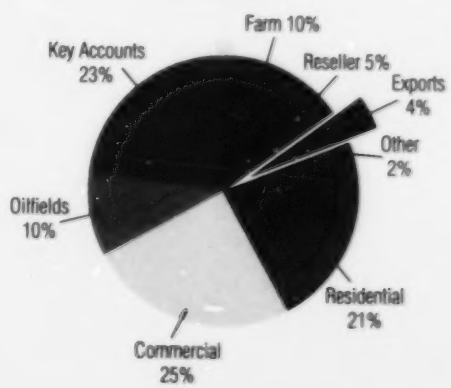
SaskPower provided electricity to over 431,000 customers in 2000, up from approximately 428,000 in 1999. As indicated in the following charts and table, customer classes included residential, farm and various businesses throughout the province, as well as exports to other jurisdictions.

2000 Revenue



Total Revenue: $1,101 million

1999 Revenue



Total Revenue: $977 million

Electricity Sales and Other Revenue	Revenue (in millions) 2000	1999	% Change	Energy (GW.h)* 2000	1999	% Change
Key Accounts	$ 243	$225	8.0	6,164	6,033	2.2
Commercial	244	236	3.4	3,408	3,252	4.8
Residential	208	207	0.5	2,337	2,315	1.0
Farm	100	100	–	1,305	1,300	0.4
Oilfields	106	95	11.6	1,505	1,299	15.9
Reseller	52	50	4.0	1,240	1,195	3.8
Export	128	42	204.8	1,143	802	42.5
Miscellaneous	(1)	2	(150.0)	(53)	14	(478.6)
Total Electricity Sales	$1,080	$957	12.9	17,049	16,210	5.2
Other Revenue	21	20	5.0	N/A	N/A	N/A
Total Revenue and Energy	**$1,101**	**$977**	**12.7**	**17,049**	**16,210**	**5.2**

N/A – Not Applicable

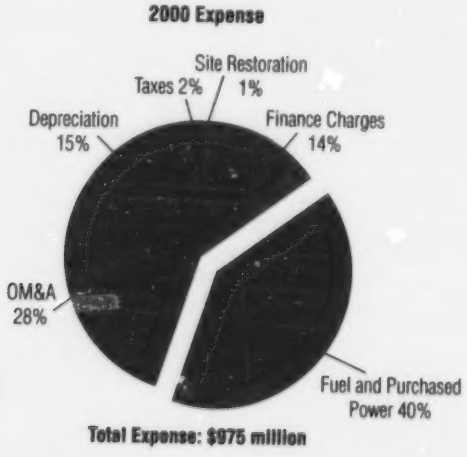
* GW.h or Gigawatt hour is a measure of the volume of electricity. The average household in Saskatchewan consumed about 7,784 kilowatt hours (kW.h) of electricity in 2000 or approximately 0.008 GW.h.

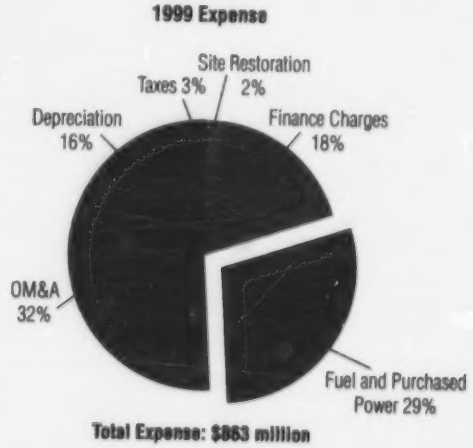
Total revenue in 2000 was $1,101 million, $124 million or 12.7% higher than the previous year. The increase in total revenue was primarily due to record export sales of $128 million, compared to $42 million in 1999. Electricity sales to customers in Saskatchewan rose by $37 million to $952 million in 2000 as a result of increased sales to oilfield and key account customers. A key account is defined as a customer with load in excess of 2000 kV.A (kilovolt amperes) at an individual site and annual revenue in excess of $1 million at all sites.

SaskPower has not increased domestic rates since 1996 when rates for certain classes were changed as part of a rate rebalancing process. According to the most recently available cost-of-service data, farm rates recovered 92% of the actual cost of providing service (i.e. revenue to revenue-required ratio), while urban residential rates recovered 96% and rural residential rates recovered 86%.

Expense

Expense, including finance charges, totaled $975 million in 2000, an increase of $112 million over the previous year. This increase is more than accounted for by the $133 million or 53% rise in fuel and purchased power costs in 2000. Other expenses include operating, maintenance and administration charges (OM&A), depreciation, taxes and site restoration costs as indicated in the charts below.





Fuel and Purchased Power

Fuel and purchased power (F&PP) costs totaled $384 million in 2000, an increase of $133 million over 1999. Moreover, fuel and purchased power costs in 2000 accounted for nearly 40% of total expense as compared to 29% in 1999. This increase is due to a number of factors, including increased generation, changes in the fuel mix or sources of generation, and increased natural gas and other fuel prices.

During 2000, total generation increased by 1,256 GW.h or 7% over 1999 levels to meet increased demand for electricity from SaskPower's customers. In addition, the mix of generation changed in 2000 due to lower hydro generation as a result of reduced water flow levels and extended overhauls at SaskPower's coal-fired stations. Lower hydro and coal generation were replaced with other, more expensive generation sources (e.g. natural gas) to service domestic customers and to source export sales. Finally, the prices of coal, natural gas and imported power increased sharply over 1999 levels.

Coal costs during 2000 increased by $22 million or 15% over 1999 levels. This increase was largely the result of higher contractual costs and an increase in the average price of coal from $12.52 per MW.h in 1999 to $14.56 per MW.h in 2000.

In 2000, natural gas costs increased by $20 million or 42% over 1999. This increase can be attributed largely to the sharp jump in the average price of natural gas from $2.76 per gigajoule in 1999 to $5.32 per gigajoule in 2000.

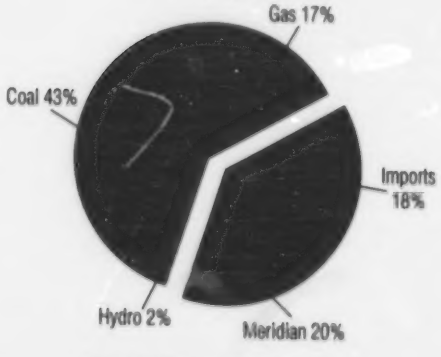
Imported power costs increased $18 million or 36% over the previous year. Imports were required to replace natural gas, coal and hydro generation during power station overhauls and maintenance.

The following charts indicate the percentage of overall costs associated with each generation and purchased power source as well as the percentage of overall volume of electricity in gigawatt hours (GW.h) provided by SaskPower's generation fleet and purchased power.

SaskPower's three coal-fired power stations make up the largest component of its generating fleet. In 2000, 60% of all power generated or purchased by SaskPower was from this source. However, because of its relatively low cost, coal generation represented only 43% of total fuel and purchased power costs in 2000.

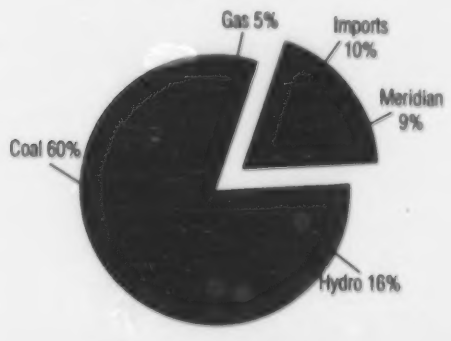
Output from SaskPower's four natural-gas stations accounted for 5% of total energy generation in 2000. However, in terms of dollars, natural gas generation costs made up 17% of the Corporation's total fuel and purchased power costs, indicating the relatively expensive nature of this generation source in 2000.

2000 Fuel and Purchased Power Costs by Type ($)



Total F&PP Costs: $384 million

2000 Generation and Purchased Power by Type (GW.h)



Total Generation: 19,092 GW.h

SaskPower's seven hydro plants provided 16% of its total energy generation and purchased power in 2000 while accounting for only 2% of total fuel and purchased power costs. Because of the low costs associated with generating hydro electricity, adequate water-flow levels are very important as SaskPower continues to manage its fuel costs.

The Meridian cogeneration plant at Lloydminster came on-line in late 1999. This natural gas-fired facility provides SaskPower with electricity through a negotiated purchased power agreement and provides steam to the Husky Oil Lloydminster Upgrader. Purchases from the Meridian plant accounted for 20% of total fuel and purchased power costs in 2000. In terms of GW.h supplied, this plant provided SaskPower with 9% of its total generation and purchased power in 2000.

From time to time, SaskPower also purchases power from other jurisdictions to assist in managing Saskatchewan's electricity requirements. Imported power accounted for 18% of total fuel and purchased power costs compared to 10% of the volume of generation and purchased power in 2000.

Operating, Maintenance and Administration

Operating, maintenance and administration (OM&A) costs include wages and salaries, payments to external contractors and general operating expenses.

The Corporation invested $2 million in 2000 (1999 – $2 million) in its apprenticeship program in the mechanical, instrumentation, electrical, operating and line trades. These programs will help ensure that SaskPower has adequate skilled personnel to provide reliable, safe power to the residents of Saskatchewan in the years to come.

During 2000, extended overhauls at SaskPower's thermal stations resulted in $8 million in additional costs. Also, $1 million was spent on quickly restoring power to the Corporation's customers when a major snowstorm hit the southeastern part of the province in November 2000.

To improve the level of service that SaskPower provides to its customers, the company launched a major customer-focused initiative in late 2000. The Customer Relations Management (CRM) project redesigned a number of business processes, including requests for service, general inquiries, outage calls and tenancy changes.

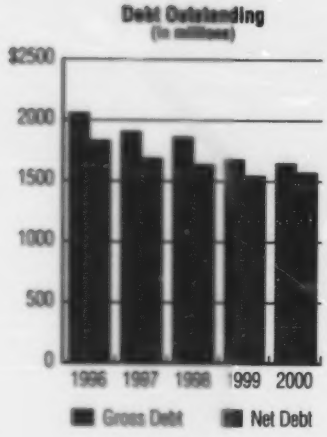
Despite these added costs in 2000, OM&A expenditures totaled $264 million, $17 million less than the previous year. OM&A spending represented 28% of total expense in 2000 compared to 32% in 1999.

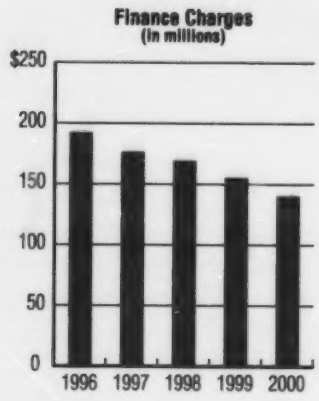
Debt and Finance Charges

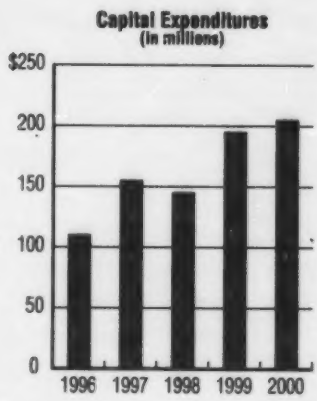
SaskPower's debt position remained relatively unchanged during 2000. Gross debt as at December 31, 2000 was $1,648 million as compared to $1,673 million at the end of 1999. Net debt, which is calculated by subtracting the value of all sinking funds (monies set aside for the orderly repayment of debt) from SaskPower's gross debt, was $1,571 million at the end of 2000, compared to $1,536 million at the end of 1999. Finance charges for 2000 decreased by $17 million or 11.0% over 1999. This was due primarily to lower interest payments on debt.

Over the last several years, SaskPower has significantly reduced its debt and finance charges as indicated in the charts on the following page.

The trend of declining debt essentially stabilized in 2000 as SaskPower increased its investment in new generation capacity and other capital projects.







Capital Expenditures

Throughout 2000, SaskPower made a number of investments that expanded and enhanced the Corporation's infrastructure to service its customers in the future. Capital expenditures for 2000 totaled $210 million, which was $28 million higher than the previous year. Major capital expenditures in 2000 included:

- $11 million to install new precipitators at Boundary Dam Power Station near Estevan. The use of precipitators, which removes particulates from coal-fired thermal station emissions, helps SaskPower balance the province's energy needs while maintaining air quality.
- $50 million for customer connect projects throughout the province to respond to the needs and demands of customers joining SaskPower's electrical grid.
- $13 million on wood pole replacements. New wood poles improve the reliability and safety of SaskPower's vast transmission and distribution system.
- $16 million investment through SaskPower International for the 228-MW Cory cogeneration project. Upon completion in late 2002, this facility near Saskatoon will sell electricity to SaskPower to assist in meeting the future power requirements of the Corporation's customers.
- $22 million for the repowering project at the Queen Elizabeth Power Station located in the Saskatoon area. Once completed, this project will upgrade, modernize and expand SaskPower's generating fleet capacity and provide a total of 391 MW. It will also provide enhanced security of supply for SaskPower's customers in the years to come.

The above chart indicates the growth in capital investments made by SaskPower over the last five years.

Performance Measures

SaskPower has established a number of long-term key financial targets, consistent with industry standards, to benchmark its financial performance. The targets and results for 1996 to 2000 are presented below.

Financial Indicators	Target	2000	1999	1998	1997	1996
Return on equity or ROE (%)	Minimum 10%	**10.3**	9.9	12.7	12.7	14.1
Return on capital or ROC (%)	Minimum 9.25%	**10.3**	10.1	11.5	11.5	12.1
Capital structure or CS (% debt)	Maximum 55% debt	**55.7**	56.4	59.0	61.0	64.0
Interest coverage ratio or ICR (# of times covered)	Minimum 2 times	**1.8**	1.6	1.7	1.6	1.6

The return on equity and return on capital ratios increased in 2000 due to increased income. However, these ratios have declined significantly since 1996 due to higher fuel and operating costs combined with the lack of rate increases. The capital structure ratio continued to improve in 2000 for the fifth straight year as a result of SaskPower's significant debt repayment and growing equity position. The interest coverage ratio improved in 2000 due to lower finance charges and increased income.

During 1999, CIC and its subsidiaries jointly developed a Crown Sector Strategic Plan to provide long-term direction to the Crown corporation sector and facilitate long-term planning. The plan includes a vision statement, its primary business purpose, common business values and strategic business objectives. Based on this plan, SaskPower identified four broad categories that were critical for the Corporation's future success. These four categories (quadrants) include financial measures, market measures, operating and process measures and people measures.

The balanced scorecard system of performance management is a work in progress. During 2000, specific key objectives, measures and targets were developed and implemented into SaskPower's business planning and performance monitoring cycles. In addition to corporate-wide measures and targets, each business unit and support group has identified their own unique measures that can monitor their individual objectives in addition to the corporate-wide objectives.

SaskPower encourages the implementation of practices that will enhance its public accountability by providing a greater degree of transparency in the results of its operations. With that, SaskPower is striving to fully develop its performance management system, and position itself to communicate its balanced scorecard targets and results in future annual reports.

Priorities and Issues for the Future

The electric industry in North America is undergoing significant change. This change is transforming the way utilities meet their customers' growing demand for power.

SaskPower's challenges for the future include working with a new rate review process, preparing for competition via the Open Access Transmission Tariff (OATT), balancing the province's energy needs with a sustainable environment, managing the various risks to which the company is exposed (e.g. fuel costs) and continuing to improve the Corporation's business processes.

Rate Review Process

As a regulated utility, SaskPower must receive approval for all proposed rate increases. The Saskatchewan Rate Review Panel (SRRP) was established by the Government of Saskatchewan to conduct independent reviews of rate change requests from SaskPower and other Saskatchewan Crown corporations. The mandate of this panel is to make recommendations to the government with an opinion on whether proposed rate increases are reasonable and fair from the perspectives of the customer, the shareholder and the corporation.

In December 2000, SaskPower submitted an application for a rate increase. The proposed average increase is 3.25% (4.30% excluding key accounts) and would take effect January 1, 2001. This rate increase is estimated to result in increased revenues of $31.2 million and will help pay for increases in fuel and purchased power costs and inflation in labour, materials and other operating costs.

The rate increase proposal also includes a rate rebalancing component whereby certain customer classes will be charged higher rate increases compared to other classes of customers. The intent is to eliminate, over time, the cross-subsidization inherent in the existing rate structure.

The SRRP is expected to make their recommendation on or about March 23, 2001.

Competitive Marketplace

The North American electricity marketplace has undergone a significant amount of deregulation, primarily in the latter half of the 1990s. Many jurisdictions in the United States and some in Canada have introduced competition at the wholesale and retail levels.

During 2000, SaskPower announced the introduction of an Open Access Transmission Tariff (OATT) that is to be effective July 1, 2001. In exchange for SaskPower's improved access to external markets, the tariff allows for electricity suppliers outside Saskatchewan to transport, or wheel, electricity across the province using SaskPower's transmission system and allows Saskatchewan's two wholesale customers, the cities of Saskatoon and Swift Current, the option to purchase electricity from suppliers other than SaskPower. The OATT also provides access to SaskPower's grid for independent power producers in the province.

Environmental Management

In recent years, environmental issues have become more significant for the utility industry. In an effort to continue to provide reliable service while realizing its responsibility to the environment, SaskPower became the first utility in Canada and one of the first in North America to be ISO 14001 registered.

ISO 14001 is one of many different certifications offered through the International Standards Organization. This certification is designed to allow companies to systematize their environmental management efforts and provides an international framework for both business and environmental improvement. It also requires organizations to make a commitment to comply with legal and other requirements, foster environmental protection and work to continually improve their environmental management system.

In October 2000, SaskPower also announced that by 2002, half of the power consumed by facilities owned and operated by the Government of Canada in Saskatchewan will be sourced by wind-powered generation. This environmentally friendly or green power project is part of SaskPower's long-term commitment to provide cleaner energy sources to the province of Saskatchewan.

Fuel Cost Management

As indicated previously, fuel costs in 2000 increased by 53% over the previous year and now account for 40% of SaskPower's total expenses. Looking forward, the Corporation faces a number of challenges in managing fuel costs. These challenges include high and volatile natural gas prices and uncertain and decreased water flow levels. If water flow levels are lower than normal, higher cost generation sources are necessary in order to meet domestic load requirements.

In an effort to minimize the impact of volatility in the price of natural gas or other commodities necessary in the day to day operation of SaskPower, it is important that the Corporation has a strong risk management program in place.

Risk Management

SaskPower is exposed to various forms of risk in its business environment. Changes in interest rates, returns on marketable securities, fluctuations in foreign currency exchange rates and changes in commodity prices (e.g., natural gas) can impact a company's future financial success. To minimize these exposures, the Corporation utilizes a number of financial instruments. These instruments are used only for risk management purposes and are not used for trading or speculative purposes.

The Corporation is also subject to risks such as sudden and accidental loss of assets, interruption of business and liability suits. SaskPower utilizes two methods for dealing with these risks. Loss prevention methods are applied in instances where the risks can be controlled, eliminated or transferred. Loss

prevention involves engineering, administrative and operating staff working to identify risks and develop loss prevention solutions. The other method SaskPower uses to minimize these types of risks is through the purchase of insurance.

During 2000, SaskPower updated and revised its policies and procedures guidelines for risk management. These guidelines provide consistent risk management application across various business processes, thereby better protecting and enhancing shareholder value.

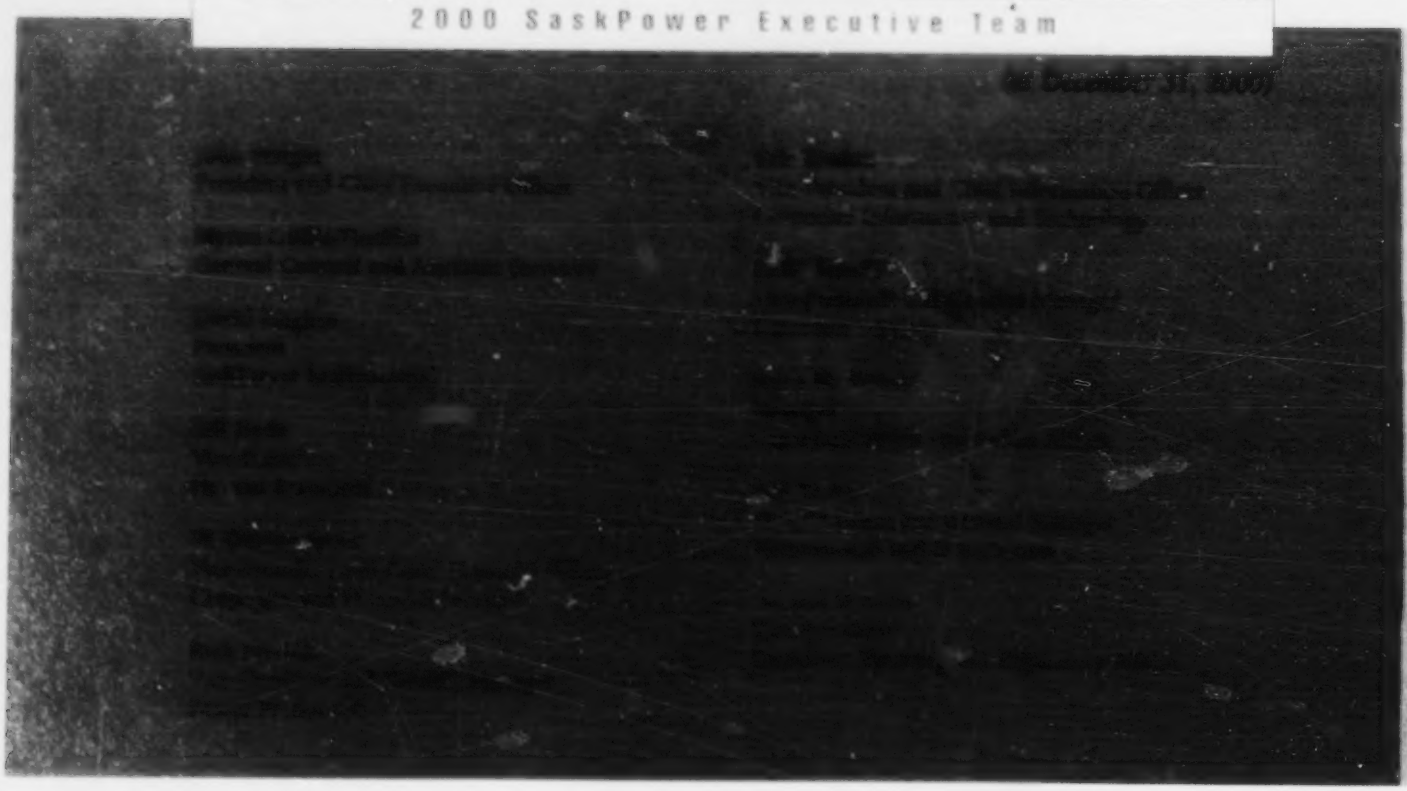
Improving Business Processes

In 1999, SaskPower undertook a corporate-wide initiative called the Delta Project. This project was initiated to help prepare the Corporation for the possibility of competition by reviewing, redesigning and implementing effective operational processes and reporting methods. As part of the project, SaskPower replaced aging information systems with a Systems, Applications and Products in Data Processing (SAP) software system.

In 2000, SaskPower continued its efforts to realize the benefits from its investment in SAP. The benefits are expected to be realized over a period of five years and include improved generation availability, performance efficiencies due to better work scheduling and operations improvements driven by process redesign efforts.

By facing challenges head-on and taking advantage of opportunities, SaskPower and its employees will continue to provide safe, reliable, cost effective electricity to its customers today and into the future.

2000 SaskPower Executive Team



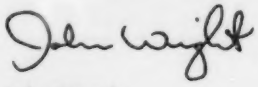
Report of Management

Management is responsible for the integrity of the financial data reported by the Corporation. Fulfilling this responsibility requires the preparation and presentation of financial statements and other data using management's best judgment, estimates and appropriately selected accounting principles, applied on a basis consistent with the preceding year.

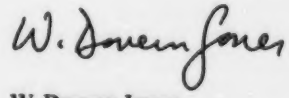
Management maintains appropriate systems of internal control, including corporate-wide policies and procedures and an internal audit program which provide reasonable assurance that the Corporation's assets are safeguarded and that financial records are relevant and reliable.

The Board of Directors, through the Audit and Finance Committee, ensures that management fulfills its responsibility for financial reporting and internal control. The Audit and Finance Committee consists of outside directors and at regular meetings reviews audit, internal control, and financial reporting matters with management, internal auditors and external auditors. The Audit and Finance Committee has reviewed the financial statements and submitted its report to the Board of Directors.

On behalf of Management,



John Wright
President and Chief Executive Officer
February 7, 2001



W. Davern Jones
Vice-President and Chief Financial Officer

Auditors' Report

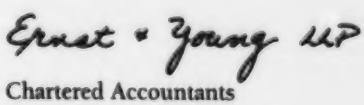
To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of Saskatchewan Power Corporation as at December 31, 2000 and the consolidated statements of income and reinvested earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Canada. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada.

Regina, Canada
February 7, 2001



Chartered Accountants

Consolidated Statement of Income and Reinvested Earnings

(in millions)

For the year ended December 31	2000	1999
Revenue		
Electric Sales		
Domestic	$ 952	$ 915
Export	128	42
Other	21	20
Total Revenue	1,101	977
Expense		
Fuel and purchased power	384	251
Operating, maintenance and administration	264	281
Depreciation and amortization (Note 2)	151	137
Taxes (Note 3)	24	24
Future asset removal and site restoration	14	15
Total Expense	837	708
Net Income Before Finance Charges	264	269
Finance Charges (Note 4)	138	155
Net Income	126	114
Reinvested Earnings, beginning of year	531	480
Dividend Declared	(69)	(63)
Reinvested Earnings, end of year	$ 588	$ 531

See accompanying notes

Consolidated Statement of Financial Position

(in millions)

As at December 31	2000	1999
Assets		
Current Assets		
Cash and cash equivalents (Note 5)	$ 68	$ 45
Accounts receivable and unbilled revenue	153	120
Materials, fuel and supplies	105	91
	326	256
Property, Plant and Equipment		
Property, plant and equipment (Note 6)	4,982	4,832
Less: Accumulated depreciation (Note 6)	1,976	1,828
Contributions in aid of construction	224	222
	2,782	2,782
Construction in progress (Note 6)	97	47
	2,879	2,829
Other Assets and Deferred Charges (Note 7)	127	111
Total Assets	$3,332	$3,196
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 202	$ 162
Debt due within one year (Note 8)	–	55
Dividend payable	17	16
	219	233
Long-term Debt (Note 8)	1,571	1,481
Other Liabilities And Deferred Revenues (Note 9)	294	291
Total Liabilities	2,084	2,005
Equity		
Equity advances (Note 10)	660	660
Reinvested earnings	588	531
Total Equity	1,248	1,191
Total Liabilities and Equity	$3,332	$3,196

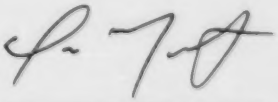
Financial Risk Management (Note 11)

Commitments and Contingencies (Notes 13 and 14)

See accompanying notes

On behalf of the Board:

J. Milton Fair, CA, Chair



Donald Mintz, CA, Director

Consolidated Statement of Cash Flows

(in millions)

For the year ended December 31	**2000**	1999
Operating Activities		
Net Income	**$126**	$114
Charges (Credits) to Operations Not Involving Cash:		
Depreciation and amortization	**151**	137
Future asset removal and site restoration	**14**	15
Amortization of deferred foreign currency translation losses	**9**	8
Amortization of debt discount and issue costs	**–**	1
Sinking fund earnings	**(19)**	(19)
Total Charges to Operations Not Involving Cash	**155**	142
	281	256
Net Change in Non-cash Working Capital	**(7)**	9
Cash Provided by Operating Activities	**274**	265
Investing Activities		
Purchase of property, plant and equipment	**(210)**	(182)
Increase in Cash Before Financing Activities	**64**	83
Financing Activities		
Dividend paid	**(68)**	(67)
Repayment of advances from General Revenue Fund	**(55)**	(128)
Sinking fund redemptions	**90**	116
Sinking fund installments	**(8)**	(9)
Contributions in aid of construction	**9**	8
Long-term receivables	**2**	14
Other	**(11)**	4
Cash Used in Financing Activities	**(41)**	(62)
Increase in Cash and Cash Equivalents	**23**	21
Cash and Cash Equivalents, beginning of year	**45**	24
Cash and Cash Equivalents, end of year	**$ 68**	$ 45

See accompanying notes

Notes to Consolidated Financial Statements

As at December 31, 2000

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. The Corporation was established by *The Power Corporation Act*, passed on April 8, 1950.

These consolidated financial statements include the accounts of the Corporation's wholly owned subsidiaries, Power Greenhouses Inc. (Shand Greenhouse), and SaskPower International Inc. All significant intercompany transactions have been eliminated on consolidation.

By virtue of *The Crown Corporations Act*, 1993, SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, SaskPower is not subject to federal income tax, provincial income tax or federal large corporations tax.

1. Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Corporate accounting policies and practices are subject to examination and approval by the SaskPower Board of Directors and the Board of CIC, both of which are empowered by statute.

The following accounting policies are considered significant:

(a) *Cash Equivalents*

Cash equivalents are short-term investments that have a maturity of 90 days or less from the date of acquisition. These investments are carried at cost, which approximates market value.

(b) *Materials, Fuel and Supplies*

Maintenance materials, fuel, supplies and plant repair parts are recorded at average cost.

(c) *Property, Plant and Equipment*

Property, plant and equipment includes generation, transmission and distribution facilities and administration and service buildings, as well as construction and operating equipment. Costs are considered capital provided there is a reasonable certainty that these costs will be recovered through future income.

Significant renewals and enhancements to existing assets are capitalized only if the service life of the asset is increased, reliability is improved above original design standards or operating costs are reduced by a substantial and quantifiable amount.

Property, plant and equipment is recorded at cost and includes material, allowance for funds used during construction, direct labour and overhead costs.

Beginning in August, 1999, the gain or loss on both the complete and partial disposal of assets is charged directly to the consolidated statement of income.

Maintenance and repair costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the estimated service life of the related asset. Depletion on long-term coal properties, including mineral rights, lease fees and transmission lines, is calculated using the unit of production method based on estimated proven reserves. Shorter-term assets

including surface rights and location acquisition costs, related to a particular mining property, are depreciated on a straight-line basis over the estimated service life of the related property. Depletion expense has been included in depreciation expense.

Composite estimated service lives for property, plant and equipment classes are:

Generation:		Transmission	45 years
Thermal	30 years	Distribution	33 years
Hydro	50 years	Other	18 years
Other	10 years		

(d) *Environmental Costs*

Environmental costs associated with modifications to property, plant and equipment, which have a future benefit, are capitalized and depreciated over the remaining useful life of the related asset. Costs associated with environmental expenditures which relate to an existing condition, caused by past activities, with no benefit to the future, are charged to income in the current period. Liabilities are recorded when the occurrence of an environmental expenditure, related to present or past activities of SaskPower, is considered probable and the costs can be reasonably estimated.

(e) *Future Asset Removal and Site Restoration Costs*

Estimated future asset removal and site restoration costs, net of expected recoveries, are charged to income on a straight-line basis over the estimated remaining service life of the assets involved. This provision reflects the estimated cost of decommissioning generation, transmission, distribution and other facilities, as well as the related cost of environmental mitigation, and is included in other liabilities and deferred revenues.

(f) *Allowance for Funds Used During Construction - (AFUDC)*

The Corporation capitalizes an allowance for funds used during construction at the cost of capital, including the cost of equity, related to major capital and development projects during the construction period. This amount is a non-cash item of income, which is charged and recovered in rates to customers over the service life of the assets.

(g) *Contributions in Aid of Construction*

Contributions in aid of construction are funds received from certain customers toward the costs of service extensions. Contributions are classified as a reduction to property, plant, and equipment and are amortized over the estimated service life of the related asset.

(h) *Foreign Exchange and Interest Rate Contracts*

From time to time the Corporation enters into financial instruments such as foreign exchange forward and option contracts, forward rate agreements, interest rate swaps and caps, cross-currency swaps, coupon swaps, natural gas commodity swaps and option contracts to manage market changes in foreign exchange rates, interest rates and natural gas prices. Cash flow differentials are recognized as income or expense over the lives of the contracts.

(i) *Revenue Recognition*

Revenue includes an estimate of electricity consumed by customers during the year and billed subsequent to year-end.

(j) *Foreign Currency Translation*

Transactions denominated in a currency other than Canadian dollars are translated into Canadian dollars by applying exchange rates in effect at the transaction date. At year-end, monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate at that date.

Any resulting foreign currency translation gains and losses are included in the consolidated statement of income in the current period. Unrealized foreign currency translation gains and losses on long-term monetary items are deferred and amortized on a straight-line basis over the remaining life of the asset or liability.

(k) *Amortization of Debt Discount and Issue Costs*

Debt discount and issue costs are amortized on a straight-line basis over the term of the respective debt issue.

(l) *Employees' Future Benefits*

The Corporation provides pension plans for substantially all employees, including a defined contribution pension plan and a defined benefit pension plan. The defined benefit pension plan is governed by *The Superannuation (Supplementary Provisions) Act* and *Regulations* and *The Power Corporation Superannuation Act*. The defined contribution pension plan is governed by *The Public Employees Pension Plan Act* and *Regulations* and certain sections of *The Superannuation (Supplementary Provisions) Act* and *Regulations*.

Under the defined contribution pension plan, the Corporation's obligations are limited to matching the contributions made by employees for current services. These contributions are charged to income when made.

The defined benefit pension plan, substantially closed to new members since 1977, provides benefits based on the average of the highest five years' salary and years of service. At the discretion of the Lieutenant Governor in Council, pensions may be increased annually up to the rate of increase in the Consumer Price Index. The cost of pension benefits under this Plan is actuarially determined using the projected benefit method prorated on service and reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing up to the rate of inflation. In 2000, the Corporation began applying the Recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3461 (Section 3461) by changing to a market rate to measure its accrued benefit obligation and fair value to measure its pension p'an assets. In prior years, the Corporation used a long-term rate of return to measure its accrued benefit obligation and a market-related value to measure its pension plan assets. As a result of this change, an estimated transitional asset has been created and is being amortized over the average remaining service life of the employees.

Prior to 1999, the Corporation began accounting for its other benefit plans in compliance with Section 3461. The other benefit plans are described in the following paragraphs.

The Corporation provides a defined benefit severance plan for management employees and members of the International Brotherhood of Electrical Workers (IBEW). The cost of severance benefits under this plan are determined using the projected benefit method prorated on service and reflects management's best estimates of future wages, number of eligible employees and average age at retirement. The estimated transitional obligation is being amortized over the average remaining service life of the employees.

The Corporation provides a separate defined benefit severance plan to employees who are members of the Communications, Energy and Paperworkers (CEP) Union. The cost of severance benefits under this plan are determined using the projected benefit method prorated on service and reflects management's best estimates of future wages, number of eligible employees and average age at retirement. The estimated transitional obligation is being amortized over the average remaining service life of the employees.

(m) *Joint Venture Interests*

The Corporation has accounted for its joint venture interests, through SaskPower International, using the proportionate consolidation method.

2. Depreciation and Amortization (in millions)

	2000	1999
Depreciation expense	$159	$145
Amortization of contributions in aid of construction	(8)	(8)
	$151	$137

3. Taxes (in millions)

	2000	1999
Grants in lieu of taxes to municipalities	$12	$12
Capital tax – Saskatchewan – General Revenue Fund	12	12
	$24	$24

Grants in lieu of taxes were paid to twelve Saskatchewan cities in 2000 and 1999.

Capital tax and grants in lieu of taxes do not include Saskatchewan provincial sales tax of $10 (1999 – $6), or municipal surcharges under Section 36 of *The Power Corporation Act*. The Corporation collected $30 (1999 – $29) in municipal surcharges and paid this amount to 429 Saskatchewan cities, towns and villages.

4. Finance Charges (in millions)

	2000	1999
Interest on long-term debt	$153	$162
Other interest	4	11
	157	173
Amortization of:		
Deferred foreign currency translation losses	9	8
Debt discount and issue costs	–	1
	9	9
	166	182
Less:		
Sinking fund earnings	19	19
Interest income	7	5
AFUDC	2	3
	28	27
	$138	$155

The amount of cash paid for interest expense amounted to $155 (1999 – $176).

5. Cash and Cash Equivalents (in millions)

Included in cash and cash equivalents in 2000 are short-term investments in the amount of $67 bearing interest ranging from 5.38% to 5.57% per annum. Included in cash and cash equivalents in 1999 are short-term investments in the amount of $49 bearing interest ranging from 4.54% to 5.00% per annum.

6. Property, Plant and Equipment (in millions)

	Cost		Accumulated Depreciation		Construction in Progress	
	2000	1999	2000	1999	2000	1999
Generation Plant	$2,386	$2,342	$1,016	$ 948	$59	$20
Transmission	649	643	230	215	17	4
Distribution	1,588	1,517	549	504	3	2
Other	359	330	181	161	18	21
	4,982	4,832	$1,976	$1,828	$97	$47
Less:						
Accumulated Depreciation	1,976	1,828				
Net Book Value	$3,006	$3,004				

7. Other Assets and Deferred Charges (in millions)

	2000	1999
Deferred foreign currency translation losses	$121	$ 97
Long-term receivables	–	7
Other assets	6	7
	$127	$111

Long-Term Receivables

The Corporation has constructed transmission lines, switching stations and substations required to serve certain mining customers in remote locations. The Corporation entered into four long-term agreements whereby these customers funded a portion of the cost of these facilities but did not hold any ownership interest. The receivables were repaid through electrical rates with funds applied to production, operating, maintenance, administration and interest costs prior to reduction of the principal amount. One of these receivables was collected prior to 1999, two were collected in full during 1999 and the remaining one was collected in full during 2000.

8. Long-term Debt (in millions)

	2000			1999		
	Principal Outstanding		Average	Principal Outstanding		Average
Years to Maturity	U.S. Dollars	Canadian Dollars	Interest Rate (%)	U.S. Dollars	Canadian Dollars	Interest Rate (%)
Advances from						
General Revenue Fund (GRF)						
Province of Saskatchewan						
Canadian Dollar Issues						
1-5 years		$ 203	12.16		$ 186	12.51
6-10 years		189	9.85		261	10.41
21-25 years		340	9.35		240	9.60
26-30 years		–	–		100	8.75
		732	10.26		787	10.45
U.S. Dollar Issues						
1-5 years	$ 50	75	6.63	$ 50	72	6.63
6-10 years	194	291	7.13	194	280	7.13
11-15 years	75	113	7.38	75	108	7.38
16-20 years	100	150	9.38	–	–	–
21-25 years	200	300	8.50	300	433	8.79
	$619	$ 929	7.92	$619	893	7.92
Less cross currency swaps:						
1-5 years	–	6		–	3	
6-10 years	–	7		–	4	
Net U.S. debt		916			886	
Gross Debt		1,648			1,673	
Less sinking fund balances:						
Canadian Dollar Issues		32			101	
U.S. Dollar Issues	$ 30	45		$ 25	36	
		77			137	
		1,571			1,536	
Less due within one year		–			55	
Total		$1,571			$1,481	

Sinking Funds

Under conditions attached to certain advances from the General Revenue Fund, the Corporation is required to pay annually into sinking funds administered by the Department of Finance, Province of Saskatchewan, amounts at least equal to 1% of the debt outstanding. Minimum sinking fund installments and debt retirement requirements for the next five years are as follows (in millions):

	2001	2002	2003	2004	2005
Sinking Fund	$10	$13	$ 13	$12	$12
Debt Retirement	–	–	148	58	72
Total	$10	$13	$161	$70	$84

9. Other Liabilities and Deferred Revenues (in millions)

	2000	1999
Future asset removal and site restoration costs	$228	$215
Long-term agreements payable	54	56
Other liabilities and deferred revenues	12	20
	$294	$291

Future Asset Removal and Site Restoration Costs

Future asset removal and site restoration costs are estimated liabilities for decommissioning facilities and mitigating environmental issues. Due to the long-term nature of the assumptions made in deriving these estimates, including the nature of the environmental contamination and the timing and extent of corrective actions, there could be a material adjustment to income in the near term.

Long-Term Agreements Payable (in millions)

Included in long-term agreements payable is a long-term service contract, signed in 1986, wherein the Corporation purchased certain assets from a customer at a cost of $39 plus interest at 11% per year. The customer is required to purchase a minimum amount of electricity with consumption in excess of this amount applied to outstanding interest and principal at a rate of 85% of the revenue received. The remaining liability is $32 (1999 – $37) and the Corporation expects terms of the agreement will be completed by 2003.

10. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

11. Financial Risk Management (in millions)

By virtue of its business operations, the Corporation is exposed to changes in the U.S./Canadian dollar exchange rate, interest rates and the price of natural gas. The Corporation utilizes a number of financial instruments to manage these exposures. Financial instruments are not used for trading or speculative purposes. The Corporation mitigates risk associated with these financial instruments through Board approved policies, limits on use and amount of exposure, internal monitoring and compliance reporting to senior management.

Foreign Exchange

The Corporation has an exposure to the U.S./Canadian dollar exchange rate primarily through the long term U.S. denominated debt that is incurred by the Corporation. In order to manage this exposure, the Corporation has entered into a number of forward contracts to mitigate the risk.

Natural Gas Prices

The Corporation is exposed to gas price risk through gas purchased for its gas-fired power plants and through the gas purchased for the Meridian cogeneration facility. Natural gas is the main fuel source used to power the cogeneration facility. As part of that agreement, the Corporation agreed to accept the risk of fluctuations in the price of natural gas. As at December 31, 2000, the Corporation had entered into a series of natural gas price hedges to manage the price of natural gas.

Financial Instruments

The fair value of the Corporation's financial instruments reflect market estimates of the amount that the Corporation would pay or receive to terminate contracts at the end of the year. They are not a result of market transactions. Changes in assumptions, economic conditions and other factors could cause significant changes in the fair value estimates. The following summarizes the fair value of the Corporation's financial instruments at year-end.

As at December 31, 2000	Notional Principal		Fair Value Asset (Liability)		Repricing or Maturity Date
	U.S. Dollars	Canadian Dollars	U.S. Dollars	Canadian Dollars	
Coupon Swaps	$158	$225	$1.5	$ 2.2	2002-2003
Cross Currency Swaps	112	155	7.4	11.1	2003-2008
Foreign Exchange Contracts	4	6	–	(0.1)	2001
Natural Gas Contracts	–	–	–	1.5	2001-2002
Total	$274	$386	$8.9	$14.7	

As at December 31, 1999	Notional Principal		Fair Value Asset (Liability)		Repricing or Maturity Date
	U.S. Dollars	Canadian Dollars	U.S. Dollars	Canadian Dollars	
Coupon Swaps	$158	$225	$0.6	$0.8	2002-2003
Cross Currency Swaps	112	155	1.0	1.5	2003-2008
Foreign Exchange Contracts	9	13	(0.1)	(0.1)	2000
Natural Gas Contracts	–	–	–	(1.3)	2000
Total	$279	$393	$1.5	$0.9	

As at December 31	2000		1999	
	Asset (Liability)		Asset (Liability)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$(1,661)	$(1,988)	$(1,680)	$(1,908)
Sinking funds	77	77	137	146
Long-term receivables	–	–	7	6
Long-term agreements payable	(54)	(35)	(56)	(34)

Fair values are determined as follows:

1. Coupon swaps, cross currency swaps, foreign exchange contracts, natural gas contracts and sinking funds
   - Closing year-end market rates.
2. Long-term debt
   - Year-end market prices for similar Province of Saskatchewan instruments.

3. Long-term receivables and long-term agreements payable

   • The present value of future cash flows discounted at SaskPower's cost of capital.

4. Other financial instruments

   • The carrying values of all other financial instruments including cash and cash equivalents, accounts receivable and unbilled revenue, accounts payable and accrued liabilities, and dividends payable approximate fair value due to the short period to maturity.

12. Credit Risk

Credit risk is the risk that one party to a financial transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

SaskPower is exposed to credit risk on its foreign exchange, natural gas and energy transactions. The Corporation has a risk management plan in place to minimize this risk.

SaskPower is not exposed to other significant concentrations of credit risk. The majority of accounts receivable are owing from 368,000 farm and residential electrical customers and 63,000 commercial and industrial customers in diversified industries. Credit terms are in place to mitigate significant losses.

13. Commitments and Contingencies (in millions)

(a) At December 31, 2000, the Corporation had committed in the amount of approximately $143 (1999 – $243) for construction materials, equipment, financial instruments and contracts and services not completed at that time. In 1998, the Corporation signed a power purchase agreement expected to cost $2,000 over the 25-year term and provide approximately 210 megawatts of electrical power annually beginning in late 1999. At 2000 prices, the Corporation also had forward commitments of $1,810 (1999 – $2,152) extending up to 25 years for coal contracted for future minimum deliveries.

(b) The Corporation is contingently liable as endorser of certain promissory notes due in 2003 and 2004, arising from the sale of a dragline. In addition, the Corporation is contingently liable for payments on certain leased mining equipment, which was assumed by the purchaser of a mining operation. The lease expires in 2004. The total amount of the contingencies is $47.

(c) As at December 31, 2000, the Corporation, through its investment in SaskPower International, had agreed to spend $98 for construction materials, equipment and contracts and services not completed at that time in respect of the Cory Cogeneration Station. The facility's scheduled operational date is November 2002.

14. Joint Ventures

(a) In 2000, the Corporation, through its subsidiary SaskPower International, entered into a 50% joint venture investment with ATCO Power Canada Ltd. to construct a 228-megawatt natural gas-fired cogeneration plant near Saskatoon.

(b) The Corporation holds a 50% interest in Cory Cogeneration Funding Corporation (CCFC). CCFC was incorporated pursuant to the *Saskatchewan Business Corporations Act (Saskatchewan)* effective November 19, 1999 and was registered with the Province of Alberta on December 18, 2000.

CCFC is a special purpose company established by the Corporation and ATCO Power Canada Ltd. to borrow long-term, non-recourse debt to finance the Cory Cogeneration Project.

(c) The Corporation's proportionate interest in joint ventures is summarized below:

	2000
Balance sheet	
Current assets	$ 1
Current liabilities	1
Property, plant and equipment	15
Deferred charges	1
Long term liabilities	–
Statement of cash flows	
Operating activities	$ 1
Investing activities	15
Financing activities	15

Current assets include cash of $1 which is only available for use within the joint ventures.

15. Related Party Transactions (in millions)

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year-end, are as follows:

	2000	1999
Accounts receivable and unbilled revenue	$ 3	$ 4
Accounts payable and accrued liabilities	8	8
Interest payable – General Revenue Fund	44	43
Revenue	43	48
Operating, maintenance and administration expenses	35	31

Other amounts due to/from related parties and the terms of settlement are described separately in these consolidated financial statements and notes thereto.

16. Employees' Future Benefits (in millions)

Defined Benefit Pension Plan

The Corporation sponsors a defined benefit pension plan. The Corporation uses the balance sheet date as of September 30 as the measurement date. Until September 30, 1999, the corporation had been accounting for its pension plan using a long-term rate of return to measure its accrued benefit obligation and a market-related value to measure its pension plan assets. Effective January 1, 2000, the corporation began applying the Recommendations of the CICA Handbook Section 3461 and changed to a market rate to measure its accrued benefit obligation and fair value to measure its pension plan assets.

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows as of September 30:

Discount rate	6.75%	6.75%
Expected rate of return on plan assets	7.00%	6.75%
Rate of compensation increases	2.75%	2.50%
Remaining service life (years)	7.92	8.51

Due to the nature of the actuarial assumptions made, it is reasonably possible that changes in future conditions may require a material change in the present value of the accrued benefits.

An annual actuarial valuation of the defined benefit pension plan showed that the Plan had an actuarial surplus in respect of past service, as follows:

	2000	1999
Plan assets		
Fair value at beginning of year	$661	$615
Actual return on plan assets	113	81
Funding contributions	3	3
Benefits paid	(38)	(38)
Fair value at end of year	739	661
Accrued benefits obligation		
Balance at beginning of year	$631	$608
Current service cost	6	7
Interest cost	42	40
Benefits paid	(38)	(38)
Actuarial gains	(13)	14
Balance at end of year	628	631
Funded status – plan surplus	$111	$30
Unamortized past service cost	$ –	$ –
Unamortized net actuarial gain on plan assets	78	27
Unamortized transitional asset	33	–
Net Expense	(7)	(3)

Other Benefit Plans

Other benefit plans include a defined benefit severance plan for management employees, members of the International Brotherhood of Electrical Workers Union and members of Communications, Energy and Paperworkers Union.

	2000	1999
Present value of accrued benefits	$37	$37
Accrued benefit liability	19	17
Employer contributions	–	–
Employee contributions	–	–
Benefits paid	1	1
Net expense	4	2

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows as of September 30:

	2000	1999
Discount rate	6.75%	6.75%
Rate of compensation increases	2.50%	2.50%
Remaining service life (years)	13.20	13.20

Defined Contribution Pension Plan

Under the defined contribution pension plan, the Corporation's obligations are limited to matching the contributions made by employees for current services. These contributions are charged to income when made.

The net expense for the defined contribution pension plan is as follows:

	2000	1999
Defined contribution pension plan	$5	$5

17. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

Five-Year Financial Summary

(in millions)

	2000	1999	1998	1997	1996
Net Income:					
Revenue					
Domestic	$ 952	$ 915	$ 919	$ 894	$ 862
Export	128	42	21	8	9
Other	21	20	18	15	15
	1,101	977	958	917	886
Costs and Expenses					
Fuel and purchased power	384	251	235	199	172
Operating, maintenance and administration	264	281	238	214	197
Depreciation and amortization	151	137	131	132	128
Taxes	24	24	23	23	23
Future asset removal and site restoration	14	15	22	41	32
	837	708	649	609	552
Operating Income before Finance Charges	264	269	309	308	334
Finance Charges	138	155	169	176	192
Income (Loss) from Discontinued Operations	–	–	–	–	(3)
Net Income	$ 126	$ 114	$ 140	$ 132	$ 139
Property, Plant and Equipment:					
Property, plant and equipment, gross	$4,982	$4,832	$4,673	$4,557	$4,439
Accumulated depreciation	(1,976)	(1,828)	(1,693)	(1,573)	(1,458)
Contributions in aid of construction	(224)	(222)	(222)	(215)	(195)
Property, plant and equipment, net	2,782	2,782	2,758	2,769	2,786
Construction in progress	97	47	36	35	36
	$2,879	$2,829	$2,794	$2,804	$2,822
Growth over prior year (%)	1.77	1.25	(0.36)	(0.64)	(1.16)
Capital expenditures ($)	212	185	137	160	117
Debt at December 31:					
Gross Debt	$1,648	$1,673	$1,856	$1,905	$2,061
Net Debt	$1,571	$1,536	$1,628	$1,683	$1,832
Sources and (Uses) of Cash:					
Cash provided by operating activities	$ 274	$ 265	$ 283	$ 270	$ 293
Investing activities, net of interest capitalized	(210)	(182)	(136)	(141)	(116)
Cash provided by operating and investing activities	64	83	147	129	177
Cash used in financing activities	(41)	(62)	(202)	(128)	(112)
Increase (decrease) in cash position	$ 23	$ 21	$ (55)	$ 1	$ 65

Corporate Governance

Corporate governance encompasses the responsibilities of the SaskPower Board of Directors and the way in which the Board discharges its responsibility for control within the organization. The Board of Directors at SaskPower has put in place a comprehensive set of governance practices and procedures to ensure that its governance responsibilities are met.

Role of the Board

The SaskPower Board of Directors is responsible for the stewardship of the Corporation. In order to carry out this responsibility, the principal duty of the Board is to provide leadership in setting SaskPower's long-range strategic direction and to approve the Corporation's overall strategic plan, operating goals, operating budget, performance indicators and the business plans established to achieve them. The Board is also responsible for overseeing the identification and management of the principal risks of the business, monitoring the performance of senior management, adopting procedures that provide effective communication, ensuring the integrity of internal controls and developing practices to ensure that the Board functions independently of management. In addition, the Board members must ensure that they comply with the provisions of *The Crown Corporations Act*, 1993, and the *Power Corporation Act*.

A terms of reference document has been developed for the Board and for each of its committees. The terms of reference clearly define the mandate of each group as well as its specific roles and responsibilities.

Board Composition

SaskPower's Board of Directors is comprised of representatives from across Saskatchewan and Canada. All members of the Board are independent from SaskPower management with the exception of the President and CEO. The Board members bring to the Corporation a diverse set of experience and attributes, including industry experience, strategic leadership and entrepreneurial and communication skills.

The Crown Investments Corporation of Saskatchewan (CIC) provides the Board members with a comprehensive ongoing education and training program. The program began in 1998 and has continued ever since. Various outside experts delivered training on such topics as strategic planning, risk management and corporate governance. Continued training is planned for 2001.

Board members are appointed by the Lieutenant Governor in Council, pursuant to *The Power Corporation Act*. Through the Chair, the Board of Directors is responsible to the Minister Responsible for CIC.

During 2000, four new members were added to SaskPower's Board of Directors. This move provides SaskPower with a more diverse Board of Directors and provides them with additional expertise in a number of different areas.

The Board and Management

Although the Board of Directors is responsible for overseeing the management of the Corporation, it is the management of SaskPower who is responsible for the day-to-day operations. Management is expected to act within the approved Board policies and directives and is accountable to the Board for the Corporation's performance.

Committees

In order to meet its stewardship obligations, the Board at SaskPower has established the following committees that it considers necessary for the efficient conduct of the affairs and business of the Corporation:

Audit and Finance Committee
Human Resources/Compensation Committee
Environment, Occupational Health and Safety Committee
Governance Committee

Audit and Finance Committee

The Audit and Finance Committee is responsible for monitoring and reviewing the financial performance and internal controls of the Corporation. The Committee is also responsible for reviewing the adequacy of the risk management policies and procedures, enhancing the credibility and objectivity of the Corporation's financial reports, and acting as a communication link between the Board of Directors and the external and provincial auditors. SaskPower's internal audit department reports to the Audit and Finance Committee.

Human Resources/Compensation Committee

The mandate of the Human Resources/Compensation Committee is to evaluate the Corporation's human resource and compensation policies. This responsibility includes reviewing compensation levels, assessing the Corporation's benefit programs and reviewing the organizational structure. The Committee also undertakes an annual performance review of the President and CEO.

Environment, Occupational Health and Safety Committee

The Environment, Occupational Health and Safety Committee is responsible for monitoring the Corporation's management of its environmental, health and safety risks, liabilities, policies, practices and procedures.

Governance Committee

The Governance Committee is responsible for reviewing the Board's corporate governance processes. The Committee makes recommendations on Board size and composition and evaluates the performance of the Board and its committees.

2000 SaskPower Board of Directors
(at December 31, 2000)

J. Milton Fair
Chair of the Board
Consultant
Edmonton, Alberta

Colleen Bailey
Partner and Secretary Treasurer
Bailey's Funeral Home and
Yorkton Memorial Gardens
Yorkton, Saskatchewan

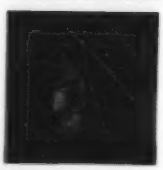
Dr. David Barnard
President
University of Regina
Regina, Saskatchewan

Vernon Bellegarde
General Manager
Digital Print Centre
Balcarres, Saskatchewan

Larry Braun
President
CEP, Local 649
Saskatoon, Saskatchewan

Neil Collins
Representative
IBEW, Local 2067
Estevan, Saskatchewan

Donald Mintz
Chartered Accountant
Mintz & Wallace
Regina, Saskatchewan



V. Lynne Pearson
Dean, College of Commerce
University of Saskatchewan
Saskatoon, Saskatchewan

Patricia Quaroni
Commercial Lawyer and Partner
Olive Waller Zinkhan and Waller
Regina, Saskatchewan

Wallace Read
Consultant
St. John's, Newfoundland

Mel Watson
Owner
Watson Tractor
Weyburn, Saskatchewan

John Wright
President and
Chief Executive Officer
SaskPower
Regina, Saskatchewan

Neil Henneberg
Corporate Secretary
Crown Investments
Corporation of Saskatchewan
Regina, Saskatchewan

Committees of the Board of Directors

Audit & Finance Committee
Donald Mintz, Chair
Colleen Bailey
Vernon Bellegarde
Larry Braun
V. Lynne Pearson

Human Resources/Compensation Committee
Mel Watson, Chair
Dr. David Barnard
Donald Mintz
Patricia Quaroni

Governance Committee
Patricia Quaroni, Chair
Neil Collins
J. Milton Fair

Environment, Occupational Health & Safety Committee
Vernon Bellegarde, Chair
Neil Collins
Mel Watson

Glossary

Capacity
The greatest load that can be supplied by a generating unit, power station or an entire provincial grid system.

Circuit
A power line or cable through which electric energy flows.

Circuit Kilometres
The sum of the number of circuits times the length of the power line.

CO_2
Carbon dioxide, one of the greenhouse gases believed to be a cause of global warming. Carbon dioxide is produced in coal-fired electricity generation.

Cogeneration
The simultaneous generation of electricity and useful heat or steam. The heat could be put to use in an industrial process or to heat a facility or community. The electricity could be used by the owner or sold to SaskPower.

Demand
The rate at which electric energy is delivered at a given instant or averaged over a period of time. It is measured in kilowatts, megawatts, etc.

Distribution
Process of moving electric energy at lower voltages from major substations to customers.

Diversity
For SaskPower, a diverse workforce would reflect the characteristics of our customer base. The corporation is pursuing several employment equity initiatives to develop a more diverse workforce.

Gigawatt Hour (GW.h)
A unit of bulk energy; 1,000,000 kilowatt hours.

ISO 14001
The ISO 14000 series is a family of environmental management standards developed by the International Organization for Standardization. SaskPower is the first electric utility in Canada to achieve corporate-wide ISO 14001 registration.

Kilovolt (kV)
A unit of pressure, or push, of an electric current; 1,000 volts.

Kilowatt (kW)
A unit of bulk power; 1,000 watts.

Kilowatt Hour (kW.h)
A unit of bulk energy; 1,000 watt hours. The measurement is generally used for billing residential customers.

Load
The amount of electric power or energy consumed by a particular customer or group of customers.

Megawatt (MW)
A unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

Megawatt Hour (MW.h)
A unit of bulk energy; 1,000 kilowatt hours.

Peak Demand
The maximum power demand recorded by a customer, group of customers or the entire system at a precise time.

Pole Kilometres
The linear distance along a power line.

Rate Rebalancing
A process bringing the electrical rates charged to different customer categories closer to the cost of service. For SaskPower, rebalancing requires negotiating rates for large-volume customers, while reducing the subsidy for farm and residential customers.

SAP
Stands for Systems, Applications and Products in Data Processing. A software solution that supports integrated business processes.

Seasonal Gross Peak
The maximum power demand supplied from all sources of energy on the system, as measured over a winter season – October 1 to March 1.

Sustainable Development
Development that ensures that the use of resources and the environment today does not damage prospects for their use by future generations (National Task Force on Environment and Economy, 1987).

Transmission
Process of moving electric power in bulk at higher voltages from the source of supply to distribution centres.